Management RECORD

Sept. 1961 • Vol. XXIII • No. 9

- Company Military Leave Practices
- Spotlight on the Older Population
- A Deferred Salary Plan for Executives
- What Do Position Guides Contain?

NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

CONTENTS

SPECIAL ARTICLES

REGULAR FEATURES

Management Record is prepared by

Division of Personnel Administration: S. Avery Raube, Director; Harold Stieglitz, Assistant Director; Michael E. Edmonds, Harland Fox, Stephen Habbe, Allen R. Janger, Miriam Kerpen, Aileen L. Kyte, Mitchell Meyer, J. Roger O'Meara, Pauline Reece, Geneva Seybold, George W. Torrence, Walter S. Wikstrom, N. Beatrice Worthy.

Editorial Staff: Sanford Rose; Arthur V. Coyne. **Charts:** Paulette le Corre Lydon; Natividad Avilez, Roman Doberczak, Eileen Mulcay, Rosanne W. Reilly, Ramon J. Rodriguez.

Management Record

September, 1961

Vol. XXIII, No. 9

• In the Record •

A Deferred Salary Plan for Management

The advertiser woos his customer with the familiar "Buy now—pay later." The corporation in turn has begun to attract promising executives with the slogan "Work now—get paid later."

With taxes at such high levels, many executives jump at the opportunity to put off the receipt of income for current services until they are in a lower bracket. Responding to this need, company after company has installed deferred compensation plans. Most of these arrangements provide for the postponement of certain extrasalary emoluments, such as special payments or yearly bonuses. A few, however, involve the deferment of *base* salary payments.

The latter type arrangement was recently installed by a manufacturer-distributor with some 8,500 employees. The article starting on page 8 examines the operation of this plan. Eligibility requirements, minimum and maximum salary amounts that can be deferred, plan benefits, funding procedures, and withdrawal rights are discussed. The story notes the tax consequences for both the employer and the employee.

• • •

O Time Too Swift!

It may just be the sight of falling leaves, but pardon us for noticing that we're getting on in years. Two articles in this month's *Management Record* discuss (1) the aging of our population in general and (2) a sidelight connected with the aging of our companies.

From 1900 to 1960 the number of persons fifty and over increased three times as fast as the number of persons under fifty, and the sixty-five-and-over people registered a greater percentage change than any of four younger age groups. "Spotlight on the Older Population," beginning on page 15, analyzes the aging of our population and assesses some future trends.

American companies are also beginning to show their age. Today over 5,000 have been in business for fifty years or more. As a result, the number of employees with thirty, forty, and even fifty years of service has mounted rapidly. This has caused many firms to revise long-service recognition programs that used to be geared primarily to the twenty-five-year employee. The article beginning on page 23 discusses in detail what companies are doing to recognize the service of people who have been with them for over twenty-five years. The use of monetary awards, service pins, special privileges, functional jewelry and other methods is considered.

• • •

What's in a Position Guide?

An actor needs a script to know within what limits he is free to create his character. So, too, an executive needs to know within what limits his duties lie, and a position guide may be needed to serve this purpose.

Most position guides have three sections in common; title, statement of "basic function," and an itemized list of "duties and responsibilities."

Other devices may be used to supplement the information provided. Some companies, for example, use linear charts, which give a more concrete picture of the web of relationships surrounding each executive function.

The article starting on page 28 reveals the various means companies use to clearly define a position. It also suggests some of the pitfalls to be avoided, and how a position guide may be modified to assist in recruiting, appraising, etc.

• • •

Company Military Leave Practices: A Review

Those rolling drums and distant bugles seem not quite so remote these days, as thousands of reservists and guardsmen face activation. Startled civilian employees in increasing numbers are realizing, together with industry, that the unfamiliar khaki is not merely reserved for week-end wear, but is subject to immediate donning.

How does the impact of recent important international developments affect corporate military-leave practices? How will pension plans, profit sharing plans and health insurance programs be treated? To consider these problems The Conference Board has reviewed company practices during earlier periods of crisis. The article beginning on the next page presents an analysis of these practices and examines the various programs of military service and their relationship to the manpower needs of industry.

When an employee is drafted, what happens to his status in company benefits plans? Prevailing practices since 1942 are examined

Company Military Leave Practices: A Review

THE WORD "crisis" seems to have acquired a contemporary usage exclusively restricted to the world situation. Business, however, may find itself facing a serious internal crisis in coming months if military leave practices are not reviewed in the light of current and possible future developments.

Recent events in world diplomacy show that while crises vary in dimension they at least have the common denominator of recurrency. While Berlin, Laos, Cuba, or any trouble spot can be the current focus of attention, it is emphasized that the recently adopted defense measures are directed at the larger problem of Communist threats and pressures all around the globe. It would appear that there has been a shift in emphasis from intercontinental atomic reliance to more conventional alternatives, which include reliance upon increased quantities of large, standing and ready military forces. Specifically, this means expanding the nation's capacity to fight limited, nonnuclear wars with traditional arms and equipment. To commerce and industry, it means, among many other things, that employees are increasingly subject to calls for earlier draft, extended reserve commitments and sudden total or partial activation.

Thus reevaluation of military leave practices is warranted at this time, particularly regarding those provisions that pertain to reservists. While the average age of persons subject to draft call depends upon the local draft pool, it presently hovers at twenty-three-and-a-half years. A civilian is liable for active service until he is twenty-six unless he has received special deferment. Both draftees and men who volunteer for service have military obligations that carry them into the Ready Reserve and then the Stand-by Reserves upon completion of active duty. This obligation may total six to eight years. In addition, voluntary maintenance of reserve status for military pension and retirement benefits may further prolong the period during which employees are subject to call.

In view of these considerations and the uncertainties involved, this brief review attempts to relate the present situation to experiences encountered in prior years. To do this it may be helpful to examine three points.

- The various systems of military service and their impact on business.
- The development of past military leave practices.
- The principal questions facing companies today.

DIMENSIONS OF THE PROBLEM

In 1948, when the Selective Service Act became law, companies were relatively unaffected since the number of employees who became potential draftees was extremely small. Companies either dusted off their World War II military leave practices or merely decided to conform to the reemployment rights and privileges guaranteed by the law.

The advent of the Korean conflict in 1950 quickly demonstrated the deficiencies of many old practices and three out of four companies surveyed in that period rewrote or drastically revised their operating procedures.[1]

The problem encountered at that time was not simply the sudden acceleration of draft quotas and the activation of reserve and National Guard components, but also the difficulties presented by the vast expansion of various employee benefit plans.

The new Reserve Forces Act of 1955 required yet another critical review of company practices, since reserve training had now become compulsory. The act made special provision for employees engaged in defined essential activities and, because of the short term of active service, operated to assure companies of an earlier and more constantly available work force. Nonetheless, companies were still faced with the problems presented by the required weekly drills and summer training programs.

The perplexing difficulties faced by business in formulating and administering sound and flexible military leave practices have not been mitigated by recent dramatic events. On July 25, 1961 the President advised the nation of the serious nature of the Berlin crisis and the steps required to maintain security. These steps include the possibility of a substantial build up geared for conventional war.

[1] See "Company Military Leave Policies," *Studies in Personnel Policy*, No. 114, 1951.

Under the new program, the United States Armed Forces, now consisting of 2,493,000 men on active duty, might well be increased by 217,000 men. To meet these new needs, draft calls will be doubled and tripled in the coming months. The President will have authority until July 1, 1962 to call up to 250,000 reservists, including National Guardsmen, to active duty for no more than one year, and to extend the tours of those already on active duty for an additional year. Observers suggest that only a limited call up of reserves is now envisaged and that present plans call for the mobilization of several Air Transport squadrons, Air National Guard tactical air squadrons and assorted reserve units. Some of these have already been placed on alert, and some enlistments have been frozen.

It should be noted that the proposed changes in the law would permit individual reservists to be called up separately if they were not part of a unit, but those in units could be called only if their specific units were activated. One industrial area could, therefore, be struck suddenly with a substantial temporary removal of required personnel. Legislation is now pending before Congress to amend the present Universal Military Training Act to avert the loss of job rights by those who are recalled to service during the present defense build up.

VARIETIES OF MILITARY SERVICE

A number of plans exist today whereby the average civilian may satisfy his military obligations. These plans vary in the requirements of initial active service and the time that must be spent in the reserves. Companies will probably want to be conversant with these plans and with the actual administration of the programs so that a realistic evaluation of personnel problems may be made.

Initially, all persons must register at their local Selective Service Board within five days after their eighteenth birthday. Registrants are called up according to the demand for men by the armed forces in the following order:

1. All draft delinquents, that is, persons who have not registered, who have ignored directives from the board, or who have failed to maintain contact with the board.
2. Volunteers for induction under twenty-six, in the order in which they volunteered.
3. Nineteen - through - twenty - five - year - old non - fathers; oldest first, by birth dates. As of now, if a person is not deferred, exempt, a draft delinquent or a volunteer, he may expect to be called at about twenty-three-and-a-half.
4. Nineteen-through-twenty-five-year-old fathers; oldest first.
5. Twenty-six-year olds and up; youngest first.
6. Eighteen-and-one-half-year olds.

Draft calls vary with the incidence of enlistments. When enlistments go down, the draft call gets larger but when an emergency atmosphere is created, such as now, enlistments rise and tend to offset somewhat the proposed draft increases.

Extent of Obligation

If a draftee or volunteer was under twenty-six years of age when the Reserve Forces Act became law in 1955, his obligation totals six years—two of active service, two in the Ready Reserves and two in the Stand-by Reserves.

If he were to volunteer between the ages of seventeen and eighteen and one-half, his total obligation would be eight years—six months of active duty, three years in the Ready Reserve and four and one-half years in the Stand-by Reserve.

If he volunteers between the ages of eighteen and one-half and twenty-six, his total obligation is six years, of which six months are active duty and the rest in the Ready Reserves.

Graduates of reserve officer training schools have an obligation of six to eight years. Those needed by the armed forces serve two years of active duty followed by three in the Ready Reserve. All others serve six months of active duty for training and seven and one-half years in the Ready Reserve.

After a man has completed his active service as outlined above, he has two methods available for meeting his compulsory Ready Reserve training obligation. He may participate in forty-eight scheduled drills or training periods and perform not more than seventeen days of active field training annually, or perform not more than thirty days' annual active duty training. For willful failure to fulfill these requirements the delinquent is liable to be ordered to active duty for forty-five days.

In times other than war, the active duty of a Ready Reservist can be extended under a presidential proclamation of a national emergency or by act of Congress. The stand-by status which reservists ultimately attain requires no active participation in training. However, Stand-by Reservists can be called to active duty involuntarily as a result of Congressional action. The National Guard is interpreted by the Department of Defense as a Ready Reserve organization and could be called into service by the governors of each state, acting at the President's request.

The above review applies, of course, to the alterna-

tives available to persons who do not wish to enlist in a particular branch of the armed services.

A person may volunteer for induction and probably would be called up within a short time. He would then serve the same time as other inductees if he passes his examinations for eligibility. (This is not to be confused with enlistment, where a person contracts for a certain period of time with a specific branch of the service.)

Those who enlist in the Marines, Coast Guard, Navy or Air Force serve varying terms both in active service and in the reserves. These people are more apt to reenlist when their basic service requirements are completed, and they frequently acquire valuable skills in specialized fields. They are older when they initiate or resume civilian occupations and at times maintain their military associations by becoming career reservists. A survey of company personnel may disclose reserve officers of varying military rank who have become key employees and are subject to immediate military call or activation.

It is clear that while the profile of current military programs varies greatly, the impact upon business firms is identical: companies will be sharing the services of their men with the military for some time to come. Some employees, however, will be exempted.

Exemptions and Deferments

There are six broad classifications of deferments and exemptions. The principal one is the 4F designation. This category includes both permanent 4F's and those that could be reclassified in an emergency. When a registrant is called he receives a preinduction examination in order to establish his status. When no national emergency exists the standards are elevated and presently about 47% of those who come through Selective Service are rejected. A great many of these would be reclassified if an emergency were to be declared.

Educational deferments are available, but are often an academic question. Since the current call-up age is over twenty-three, the registrant has long since left high school and is probably in his graduating college class if he has not entered business. But full-time students in good standing in their current scholastic year may be deferred. If the registrant receives a deferment at any time before reaching age twenty-six, his call-up period is extended in principle until thirty-five.

Jobs in the national interest will defer a registrant if he is actively using the defined critical skill. He is subject to instant reclassification if he changes jobs or the job ceases to be considered in the national interest. This is a fairly broad and steadily expanding area and includes scientists, engineers and teachers as well as key men in industries with defense contracts. The national scientific, engineering and specialized personnel committees may recommend that the employee become an inactive reservist after only three months of active training for duty. This means that a man with a critical skill may then go into a Ready Reserve Control Group, which doesn't have active meetings, or into the Stand-by Reserve, which is subject only to emergency readiness.

Fatherhood, in the correct age bracket, offers conditional deferment and has lowest priority; nineteen to twenty-five-year-old fathers are called after available nonfathers in this age group are exhausted. Hardship is also grounds for deferment, with each case decided on its own merits. Sole surviving sons, ministers, divinity students, and conscientious objectors complete the categories of possible draft exemptions.

PAST MILITARY LEAVE PRACTICES

The foundation of any company's military leave practices rests, of course, on the minimum requirements provided by law. The rest is within the complete discretion of the employer. In the last comprehensive study of military leave policies, made by The Conference Board in 1951,[1] the practices of 212 companies were reviewed. Fewer than one out of ten firms had cut down on their benefits since World War II, while 22% indicated that benefit provisions had definitely been expanded. Treatment of pension plans and payments for dependents' hospitalization coverage were two examples of added generosity. At the same time the popularity of the separation allowance declined.

Separation Bonuses

Back in 1942 almost 65% of 251 firms surveyed[2] by The Conference Board gave extra compensation to employees leaving for the service. This percentage was reduced to 55% by post-1950. The reasons why companies did not continue this allowance varied considerably. But most cooperators who altered their plans felt that the world situation had changed and that other benefits conferred for the first time made the company's total cost outlay for the serviceman about the same as formerly.

The separation bonus was more prevalent in large companies than in small firms in 1951; 64% of the cooperators with over 5,000 employees paid such a bonus while only 50% of those with less than 5,000 employees followed this practice. Few companies differentiated between salaried and hourly paid employees when it came to separation allowances.

[1] "Company Military Leave Policies," *op. cit.*
[2] "Company Policies on Military Service and War Jobs," *Studies in Personnel Policy,* No. 52, 1943, p. 7.

Generally three alternative methods of payment were used:

- *Uniform Allowance*—A similar bonus was given to all eligible employees.
- *Graduated by Length of Service*—The amount varied with the seniority of the departing employee.
- *Graduated by Dependents*—The amount varied according to the number of dependents of the departing employee.

The most common type of bonus payment used was the uniform allowance, which was adopted by 48.7% of the 117 cooperators making bonus payments. Two weeks' or a month's pay for employees who had been with the company six months or a year was most popular, but a few firms paid a uniform bonus based on the difference between the man's pay at time of induction and the military pay he would receive on his first active-duty assignment. In the eight companies that used this latter method, an amount equal to the difference for a one-month and a three-month period was paid by three and five companies respectively.

When computing differential payments of this type most companies included a man's base pay, longevity pay, and special pay (i.e., submarine, flight, or parachute pay), but excluded allowances for travel, uniforms, quarters and subsistence.

Of the cooperating companies that paid separation bonuses in the past, 94% did not give any preferential treatment for executives. Under current draft age maximums it is doubtful that many executives would be drafted by Selective Service. However, many company officials now hold reserve commissions in the armed forces and are subject to recall.

Pension Plans

What happened to an employee's pension in this earlier period if he was drafted or activated? In many cases, if he was subject to the draft the employee was probably ineligible for membership in a pension plan because of age or limited company seniority. Where he was eligible, however, the provisions of the plan had to be consulted to determine his status. As long as the employee's pension status while on military leave was handled no less liberally than that of employees on other types of furloughs or leaves of absence, the legal requirements were satisfied.

In over nine out of ten cooperating firms covered in the 1951 study, the time the employee spent in service counted towards determining pension eligibility requirements.

If the financing of the pension plan was contributory, three out of four firms suspended all payments. If the employer did not offer the employee an option to pay his back contributions upon reinstatement, the retirement pension would be correspondingly reduced. In about one out of eight contributory plans the employer assumed all costs for the period of military leave, whereas in 1942 only six out of 251 companies followed such a practice.

Where the plan was noncontributory, three out of four firms made contributions for the time the employee was in service; the remainder did not credit his account for the period of the absence.

Group Life Insurance

Almost 94% of the cooperating companies covered in the 1951 study reported having a group life insurance plan. This remains, of course, the most popular employee benefit in business today. Insurers, however, may either refuse to cover military departees in the group plan or increase the premiums. The insurer's action in most instances dictates the company's procedure and cancellation was the practice followed by almost nine out of ten cooperators.

Continuation of the insurance plans occurred in a few companies, particularly the ones that maintained noncontributory plans. In a small percentage of cases where contributory plans were in effect, the insurance would be maintained only as long as the employee met his share of the premiums. About one out of six firms that cancelled the company insurance encouraged the employee to obtain National Service Life Insurance by underwriting a portion of the premium cost for equivalent face value insurance.

Hospitalization and Medical Benefits

Since Uncle Sam becomes the doctor for service-incurred sickness and injury, all the cooperating firms covered in the 1951 study cancelled any hospitalization or medical insurance for the employee, usually within thirty days.

Companies, however, showed a tendency to continue dependents' coverage, in most cases assuming the entire cost for the duration of the leave. This was true even where the plan was normally jointly financed or exclusively paid by the employee. In three out of ten firms having insured dependents' coverage the company maintained the insurance during the leave. Where Blue Cross or Blue Shield was utilized, about one out of seven firms paid for dependents' coverage.

A few firms permitted the dependents to enjoy the benefits of the lower group rates, provided the employee arranged to pay all premium costs.

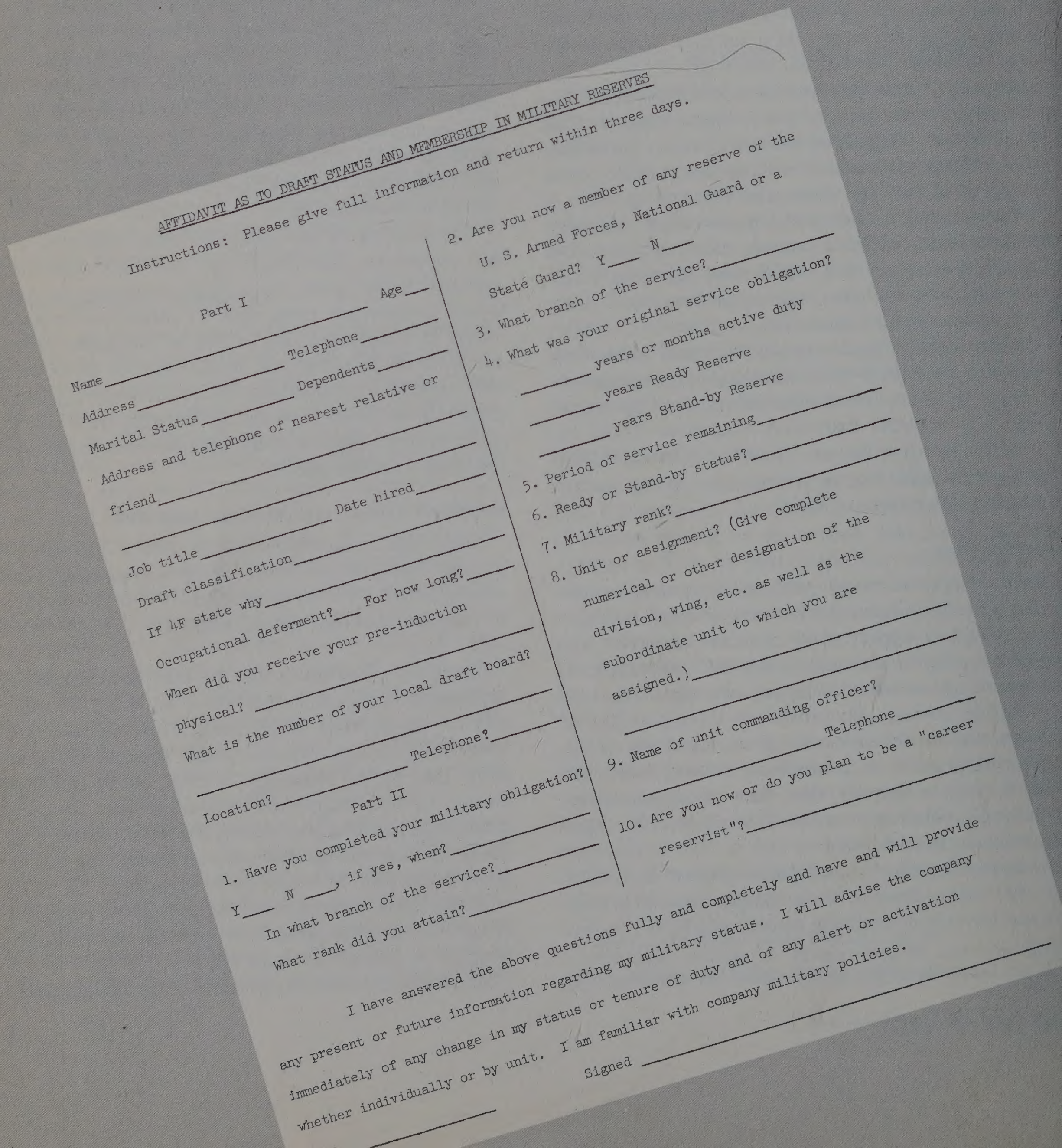
At the present time, the problem of continuing group

health coverage for employees is made more acute by the possibility that reservists may be retained or activated for indefinite service.

Vacation Benefits

The great majority of firms surveyed in 1951 paid for any vacation that was fully earned but had not been taken by the departing employee; two out of five firms granted prorated vacation pay for time credited towards the employee's next vacation.

When the employee returned, certain questions regarding vacations also had to be faced. All but a few cooperators credited military leave time as continuous service for vacation eligibility. This is in accordance with law and the only exceptions seem to arise where the employer's rules and practices or the union contract provides that vacation benefits can be built up only by actual employment during the year. In such case the veteran may be treated only as liberally as employees on nonmilitary leave.



AFFIDAVIT AS TO DRAFT STATUS AND MEMBERSHIP IN MILITARY RESERVES

Instructions: Please give full information and return within three days.

Part I

Name ____ Age ____

Address ____ Telephone ____

Marital Status ____ Dependents ____

Address and telephone of nearest relative or friend ____

Job title ____ Date hired ____

Draft classification ____

If 4F state why ____

Occupational deferment? ____ For how long? ____

When did you receive your pre-induction physical? ____

What is the number of your local draft board? ____

Location? ____ Telephone? ____

Part II

1. Have you completed your military obligation? Y ____ N ____, if yes, when? ____
   In what branch of the service? ____
   What rank did you attain? ____

2. Are you now a member of any reserve of the U. S. Armed Forces, National Guard or a State Guard? Y ____ N ____
3. What branch of the service? ____
4. What was your original service obligation?
   ____ years or months active duty
   ____ years Ready Reserve
   ____ years Stand-by Reserve
5. Period of service remaining ____
6. Ready or Stand-by status? ____
7. Military rank? ____
8. Unit or assignment? (Give complete numerical or other designation of the division, wing, etc. as well as the subordinate unit to which you are assigned.) ____
9. Name of unit commanding officer? ____ Telephone ____
10. Are you now or do you plan to be a "career reservist"? ____

I have answered the above questions fully and completely and have and will provide any present or future information regarding my military status. I will advise the company immediately of any change in my status or tenure of duty and of any alert or activation whether individually or by unit. I am familiar with company military policies.

Signed ____

Time Off

According to a 1954 Conference Board survey[1] of 436 companies, 313, or 72%, allowed reservists one or more weeks of time off for training in addition to regular vacation time. And 140 of the 313 provided this additional leave with pay—usually the difference between company and military pay.

By 1957 a further survey[2] disclosed that 226 companies out of 263, or 85.9%, granted time off in addition to vacation for hourly employees. For salaried employees, 221 out of 257 companies, or 86%, granted additional time. As in 1954, while a majority of companies granted this added time, not all of them did so with pay. Hourly employees in almost half the companies received no pay; salaried employees in two out of five reporting companies received no pay.

When paid time off was granted in 1957, frequently the company made up the difference between military and company pay. More than a third of the companies followed this practice for both hourly and salaried workers.

Today the law requires that time off must be permitted in addition to any vacation to which the employee is entitled, but vacation and military leave may be taken concurrently by mutual agreement between the employer and the reservist or guardsman.

Employers are also required to reemploy all men who go on active training for two or more weeks if the men apply for reemployment within one month after completion.

Profit-sharing and Christmas Bonus Plans

Among the 212 cooperators in 1951, thirty companies had profit-sharing plans for employees other than executives. Both the deferred distribution and current distribution type plans were included in this group. Twenty-one of these thirty companies indicated that all participation in profit distributions was suspended when the employee went on military leave. If he was not on the active payroll as of the eligibility date he would lose any share.

Nine cooperators made provision, however, for some type of payment. In five companies profit-sharing payments were computed only for the year in which the employee departed. In three firms a proportionate share was paid, and in two, a full share. In the remaining four of the nine companies, the employee continued to share in the profits for the duration of his service obligation.

[1] "Personnel Practices in Factory and Office," *Studies in Personnel Policy*, No. 145, 1954.

[2] "Time Off with Pay," *Studies in Personnel Policy*, No. 156, 1957.

Year-end bonuses, as distinguished from formal profit-sharing plans, were found to be paid, all or in part, by about three-fifths of fifty-five firms that gave this kind of bonus. The prorata approach was favored by four to one and was usually based either on a percentage of the employee's earnings while still on the payroll or on a ratio between full months worked and twelve months.

CURRENT BUSINESS PROBLEMS

The above review is, of necessity, based upon company practices in prior years. It does serve to highlight, however, some of the problems faced by management in the past and the various approaches used in the formulation of company military leave programs. Today industrial military practices must be geared not only to the known problems imposed by the draft, but also to the unknown problems relating to the reserves. As mentioned previously, those in the reserves may at any time be placed on alert, may be activated, or may be "frozen" when the normal tour of duty expires.

What should the employer do? Among the many important points that he may wish to consider are the following:

► Check if company practice conforms to the minimum requirements of the law.

► Check in detail the current military standing of all employees, particularly reservists. (A sample form which could be used as a guide is illustrated on page 6.)

► Check with local draft boards and reserve components as to their current activities.

► Check the adequacy of current company manpower plans.

► Check all current practices related to the handling of military leaves.

► Check questions with the local offices of the United States Labor Department, Bureau of Veterans' Reemployment Rights.

MICHAEL E. EDMONDS
Division of Personnel Administration

Leadership and Interpersonal Behavior—This is a symposium of papers reporting the results of group and leadership research sponsored by the Office of Naval Research. Current psychological theories of leadership are reviewed. Also reported are studies of leadership in the small group and the large organization. *Edited by Luigi Petrullo and Bernard M. Bass, Holt Rinehart and Winston, Inc., 383 Madison Avenue, New York 17, New York, 1961, 382 pp., $6.50.*

The operation of one of the few plans that provides for deferment of base rather than extrasalary compensation is analyzed

A Deferred Salary Plan for Management

NOT TOO MANY years ago the compensation of management and rank-and-file employees alike was a relatively simple matter of salary and current bonus payments. But during recent years, a variety of "deferred compensation" plans have been welded to this basic take-home pay structure.

These deferred compensation arrangements vary widely in their technical details. But nearly all have at least one common characteristic: they involve *extra-salary* payments by the corporation. This is quite apparent in the financing of the most common group of deferred compensation plans: the "qualified" pension, deferred profit-sharing and employee savings plans. In each case, the deferred payments are based on substantial company contributions over and above basic salary payments.

Similarly, nearly all "nonqualified," deferred compensation plans—plans designed primarily for management personnel—are based on extrasalary contributions. The bulk of these arrangements fall into one of two general classes: (1) executive bonus plans under which part or all of a yearly bonus is deferred and (2) company agreements with a handful of top executives that call for specified payments in the event of retirement, severe disability or death, all in addition to a specified minimum current salary.[1]

In contrast to these arrangements, the deferred compensation plan described in this article provides for the deferment of a part of *base* salary (or a salary increase) but not for the deferment of extrasalary payments.

This plan was recently installed by a well-known manufacturer-distributor with a normal work force of some 8,500 employees. The deferred compensation plan covers all exempt employees between ages twenty-one and sixty-five (except salesmen). However, the effective age range for participation is likely to be thirty-five to sixty.[2] This range covers some 1,100 exempt employees. Of this group about twenty eligible employees decided to participate in the plan on the first and (so far) the only enrollment date; the company expects more widespread participation at future enrollment dates as the plan becomes better understood by eligible employees. At the present time, the typical participant is fifty years old and earns $25,000 per year, although one participant is only thirty-five and has a salary of $7,500.

DEFERRED SALARY AMOUNTS

An eligible employee becomes a participant in the plan by agreeing, prior to February 15 or August 15 of any year, to defer annually thereafter a portion of his salary beginning on the following April 1 or October 1, respectively.[3]

The minimum that can be deferred under any one agreement is $500 per year; the maximum, 10% of salary in effect immediately before the agreement.[4]

At the present time, participants are deferring an average of $1,500 per year, which is 6% of the group's average salary of $25,000.

Additional agreements can be executed at subsequent annual enrollment dates,[5] but the deferred sums accumulated in all agreements cannot exceed 25% of the highest salary earned from the time of the first agreement. For example, if a participant earned $25,000 a year at the time of the first deferral and reached a top of $30,000 in subsequent years, the most that he could set aside on a cumulative basis would be $7,500 per year (25% of $30,000).

Any salary so deferred is not considered current salary thereafter for the purposes of the plan. Thus, salary deferred under a prior agreement is not considered as current salary in determining the maximum that can be deferred under a subsequent agreement. For example, the $25,000-a-year executive who de-

[1] The prevalence of these two arrangements is described in "Top Executive Compensation," *Studies in Personnel Policy*, No. 179.

[2] After age sixty, the few years available for participation in the plan limit its attractiveness; on the other hand, few employees under thirty-five probably can afford to forego in current salary the $500 minimum required by the plan.

[3] Salary in this context means regular basic salary (other than a retirement benefit, retainer or payment for temporary employment) and does not include overtime, management incentive or performance awards or other special payments.

[4] Within this range the actual amount must be a multiple of $100.

[5] No participant can make more than one agreement in any twelve-month period, however.

ferred $1,500 in his initial agreement could not defer more than $2,350 the next year, assuming that he did not receive a salary increase. The $2,350 is 10% of $23,500, his initial salary of $25,000 minus his initial deferment of $1,500.

It should be noted here that any salary deferred under the plan is no longer considered current salary under any of the company employee benefit plans. Thus, in making the decision to participate in the deferred compensation plan, an executive must balance out the benefits from the plan against a cut in current income and, as a result, a cut in benefits from three company programs whose benefit levels are geared to the executive's current salary. One of these is a noncontributory pension plan which bases benefits on a typical "per cent of salary per year of service" formula. Another is a contributory group insurance program in which the levels of coverage depend on the participant's salary class. And finally, a salary cut affects benefits from a company stock purchase plan. Under this arrangement, a participant can contribute up to 5% of his current salary, and the company adds 20% of the amount the employee saves by means of payroll deductions.

PLAN BENEFITS

The plan is designed to provide two general types of deferred benefits: retirement benefits and death benefits. In each case, the company pays benefits in equal monthly installments for 120 consecutive months (ten years); these monthly payments cannot be changed in amount nor can they be accelerated or postponed. The size of the benefit depends on the amount of deferred salary, the participant's age at the time deferment begins, and the age at which the participant retires. Benefits for each $1,000 of deferred salary are shown in Table 1.

A participant who retires at age sixty-five receives the full deferred compensation benefit in the form of 120 monthly payments (in addition to any benefits from the regular pension plan). For example, a participant who had deferred $1,500 a year beginning at age fifty—a total of $22,500—would receive $222 per month for ten years—a total of $26,700. If this retired employee dies before all 120 payments have been made, the company continues the payments for the balance of the ten-year period to the participant's designated beneficiary or to his estate.

It will be noted in Table 1 that the full deferred benefit at sixty-five is at least 20% more than the actual amount of deferred salary, ranging from 20% more for an employee who enters the plan at age sixty to 33⅓% more for an employee who enters at age thirty-five.

This same full deferred compensation benefit is paid to a participant who retires after sixty-five. The ten-

Table 1: Benefits for Each $1,000 of Deferred Salary

If the minimum of $500 salary is deferred, benefits will be one-half the amounts shown. If $1,500 is deferred, benefits will be one and one-half times the amounts shown.

Age at Time of Agreement	Total Deferred Salary to Age 65	Full Compensation at 65		Reduced Compensation					Preretirement Death Benefit	
		Total	Monthly	Monthly at 64	Monthly at 63	Monthly at 62	Monthly at 61	Monthly at 60	Total	Monthly
35	$30,000	$40,000	$333	$322	$311	$300	$289	$278	$30,000	$250
36	29,000	38,800	323	312	301	290	278	267	29,000	242
37	28,000	37,000	308	297	286	275	264	253	27,700	231
38	27,000	35,400	295	284	273	262	251	240	26,500	221
39	26,000	33,600	280	269	258	248	237	226	25,200	210
40	25,000	32,000	267	256	246	235	224	214	24,000	200
41	24,000	30,600	255	244	234	223	212	202	22,900	191
42	23,000	28,900	241	231	220	210	199	189	21,700	181
43	22,000	27,500	229	219	208	198	187	177	20,600	172
44	21,000	26,000	217	207	196	186	176	165	19,600	163
45	20,000	24,500	204	194	184	173	163	152	18,300	153
46	19,000	23,000	192	182	172	162	152	141	17,300	144
47	18,000	21,700	181	171	161	151	141	131	16,300	136
48	17,000	20,500	171	161	151	141	131	121	15,400	128
49	16,000	19,200	160	150	140	130	120	110	14,400	120
50	15,000	17,800	148	138	128	118	109	99	13,300	111
51	14,000	16,700	139	129	119	109	99	89	12,500	104
52	13,000	15,400	128	118	108	98	89	79	11,500	96
53	12,000	14,000	117	107	98	88	78	68	10,600	88
54	11,000	12,800	107	97	88	78	68	58	9,600	80
55	10,000	11,600	97	87	78	68	58	49	8,800	73
56	9,000	10,200	85	76	66	57	47	38	7,700	64
57	8,000	9,000	75	66	56	47	38	28	6,700	56
58	7,000	7,600	63	54	45	36	27	18	5,600	47
59	6,000	6,700	56	47	37	28	19	9	5,000	42
60	5,000	6,000	50	40	30	20	10	0	4,400	37

Table 2: Settlement in Event of Withdrawal or Termination for Each $1,000 of Deferred Salary

If the minimum of $500 salary is deferred, benefits will be one-half the amounts shown. If $1,500 is deferred, benefits will be one and one-half times the amounts shown.

Age at Time of Agreement	Multiply Dollars Below by Number of Complete Years in Plan										
	1	2	3	4	5	6	7	8	9	10	11
35	$390	$660	$760	$810	$850	$880	$900	$930	$950	$970	1,000
36	410	668	764	814	852	882	902	932	952	972	1,000
37	430	676	768	818	854	884	904	934	954	974	1,000
38	450	684	772	822	856	886	906	936	956	976	1,000
39	470	692	776	826	858	888	908	938	958	978	1,000
40	490	700	780	830	860	890	910	940	960	980	1,000
41	500	706	784	834	862	892	912	942	962	982	1,000
42	510	712	788	838	864	894	914	944	964	984	1,000
43	520	718	792	842	866	896	916	946	966	986	1,000
44	530	724	796	846	868	898	918	948	968	988	1,000
45	540	730	800	850	870	900	920	950	970	990	1,000
46	556	736	804	854	872	902	922	952	972	992	1,000
47	572	742	808	858	874	904	924	954	974	994	1,000
48	588	748	812	862	876	906	926	956	976	996	1,000
49	604	754	816	866	878	908	928	958	978	998	1,000
50	620	760	820	870	880	910	930	960	980	1,000	1,000
51	636	766	824	874	884	912	932	962	982	1,000	1,000
52	652	772	828	878	888	914	934	964	984	1,000	1,000
53	668	778	832	882	892	916	936	966	986	1,000	1,000
54	684	784	836	886	896	918	938	968	988	1,000	1,000
55	700	790	840	890	900	920	940	970	990	1,000	..
56	716	800	846	894	906	924	945	975	995	..	..
57	732	810	852	898	912	928	950	980	..	..	..
58	748	820	858	902	918	932	955	..	..	..	..
59	764	830	864	906	924	940	..	..	..	..	..
60	780	840	870	910	930	..	..	..	..	..	..

year payments begin on the date the participant actually retires. However, at sixty-five the amount of annual salary that the participant has been deferring is restored to his current salary for the period that he works after sixty-five.

If the employee dies during this period of extended service after sixty-five, the ten-year payments are made to his designated beneficiary or to his estate, commencing the first day of the month following his death. Similarly, if the employee retires after sixty-five and dies before receiving all 120 monthly payments, the balance is paid to his beneficiary or estate.

The deferred compensation plan also provides for a ten-year payment to a participant who retires during the five years prior to age sixty-five. As Table 1 illustrates, the monthly benefit is smaller in these cases; the participant, of course, has deferred less over this shorter period of participation. However, the differential between the total sums deferred and the total payments made remains at 20% or more.

As in the other cases of retirement, if the retired employee dies before receiving all 120 monthly payments, the balance is paid by the company to his beneficiary or estate.

In addition to the continuation of benefits for the remainder of the ten-year period after a *retired* employee dies, this plan also provides a death benefit if a participant dies *prior* to retirement. The size of the death benefit depends on the amount of salary deferred and the age of the participant at the time he enters the plan. The amount of the death benefit is shown in the last column of Table 1. The benefit is not paid in a lump sum, but as monthly payments for 120 consecutive months (ten years).

Prior to the date on which the company becomes obligated to make the payments of deferred compensation or death benefits, a participant has no vested rights in the plan. However, participants can withdraw from the plan under certain circumstances and receive a settlement based on the schedule in Table 2. It will be noted that unless a participant has been in the plan ten or eleven years at the time the settlement is made, he does not receive as much in settlement as the salary he gave up by participating in the plan.

It should be remembered, however, that the executive was covered by substantial death benefits while a member of the plan. For example, suppose an employee deferred $1,500 per year, beginning at age fifty, and seven years later had to withdraw from the plan. According to Table 2, he would receive upon withdrawal $9,765 ($1,395 for each of the seven years).[1] This is $735 less than the $10,500 in salary which he gave up during the seven years. But during the period, he was covered for death benefits of $19,950 ($13,300 × 1½

[1] He receives $930 per year for each $1,000 deferred; therefore, $1,395 for a deferral of $1,500.

[see Table 1]). Therefore, he paid $105 per year for this protection, or $5.26 per $1,000 of coverage—a cost appreciably lower than he could have secured as an individual.

The schedule in Table 2 applies to the following situations:

1. *Withdrawal from the plan for serious financial reasons prior to retirement or other termination of employment.* If an application for withdrawal under these circumstances is approved by the company, the withdrawal becomes effective at the end of the participation year. At that time the participant's deferred salary is restored and the settlement from the plan is paid to him in five equal annual installments.

2. *Unpaid leave of absence longer than six months.* If a participant is on an approved leave of absence without salary for longer than six months, he is considered to have withdrawn from the plan, as described above. Participation in the plan is continued during the entire period of an approved leave of absence with pay and for up to six months for leave without pay.

3. *Termination of employment for any reason, other than retirement or death.* In this case the appropriate settlement is paid in one lump sum.

4. *Termination of the plan by the company.* If the plan is terminated, participants will be considered to have withdrawn from the plan as of the date of termination. Their deferred salary will be restored and the settlement from the plan will be paid in five equal annual installments.

"FUNDING" THE PLAN

In any type of deferred compensation plan, the company must decide in what way the liability for deferred payments will be met. The company whose plan is described here considered this problem as follows:

> "If a liability were set up on the books for the amount of deferred compensation, such liability would not be an allowable deduction for tax purposes because the deduction is allowed only as payments are made to the retired employee. Therefore, if this procedure were allowed, it would provide a serious distortion of our company's income by overstating current profits. By providing cash reserves for the deferred compensation through the purchase of insurance, this distortion is largely avoided. The purchase of an insurance policy, in effect, creates a fund solely to provide the company with the sums necessary to meet its obligations under the deferred pay plan."

Therefore, the company "funds" its obligation to each participant by purchasing a form of "key man" insurance on his life. In this case, an endowment policy payable at sixty-five in installments over ten years is purchased. Thus, when a participant retires at sixty-five, the company receives over a ten-year period the face value of the policy (plus any accumulated dividends and interest).[1] During the same ten-year period the company makes 120 monthly payments to the executive or his beneficiaries.[2] Similarly, if a participant dies prior to retirement, the company receives the face value of the insurance policy (plus accumulated dividends) and simultaneously pays the death benefits provided by the plan.[3]

It might be noted here that the company owns these insurance policies, designates itself as the sole beneficiary, and pays the entire premium. The participant has no rights whatsoever in the policy secured on his life. This is done, of course, so that there is no possibility of the participant being taxed currently on the benefits he may receive at a later date.

ADVANTAGES TO THE PARTICIPANT

One of the primary attractions of a deferred compensation plan is, of course, the possibility of deferring the receipt of income for current services to a future time when the employee presumably will be in a lower tax bracket.

But the financial gain of deferring $1,500 under the deferred compensation plan is more than merely the "income tax effect." This can be illustrated by the data on the "personal planning sheet" that might be used by the typical executive now participating in the plan: that is, by a fifty-year-old executive earning $25,000 initially, but now deferring $1,500 of it. (See the exhibit on page 13.) This executive receives more in retirement benefits than he actually defers, as already indicated. At the same time, however, he loses part of the pension benefits that otherwise would have been payable. For example, the executive receives, after taxes, $1,663 a year more (line 3f) than he would have received had he not been in the plan. Over ten years, this would be a gain of $16,630. For this he gave up $930 per year in current (aftertax) salary (line 1d), a total of $13,950 over his fifteen years of participation. Thus his net gain by participating is $2,680.[4] Or,

---

[1] The cash received from the policy in excess of the cost of the policy over the years is taxed to the company as income from annuities.

[2] The amounts paid to the executive are a deductible expense for the corporation as they are paid.

[3] In this case, the company receives the death benefits tax free. Therefore, the preretirement death benefits in Table 1 are actually a multiple of the guaranteed face value of the policy. For example, if the company receives $17,280 tax free, it can pay beneficiaries $36,000 which, after taxes, costs the company $17,280.

[4] It might be emphasized that the loss of company pension benefits (in addition to current income) has an important effect on the net gain from participating in the plan. For

to put it simply, participation in the deferred compensation plan allows an executive to increase his retirement income, on a voluntary basis, over and above that provided by the company pension plan, which is paid for entirely by the company.

Similarly, participation in the plan allows an executive to increase his life insurance coverage significantly during the years prior to retirement. For example, the executive in the exhibit almost doubled his life insurance (line 2c) for death prior to retirement.[1] As already indicated, he was able to buy this amount of protection much cheaper as a member of the plan than he could have purchased it individually.[2] Furthermore, an executive who might be uninsurable as an individual generally becomes insurable as part of the group. Although, under these circumstances, a higher premium might well be required, the cost is absorbed by the company.[3]

There is one other facet of the death benefit provisions of the plan that has appeal to a participant. Like most noncontributory pension plans, the pension plan in this company pays benefits after retirement only during the lifetime of the executive; when he dies all payments cease.[4] But the deferred compensation plan allows the executive to provide a monthly income to his wife (or estate) if he dies before receiving the 120 monthly payments after retirement. In other words, the plan allows the participant to provide a form of "widow's pension."[5]

ADVANTAGES TO THE COMPANY

The above advantages which a participant may find in the deferred compensation plan also represent a plus so far as the company is concerned. To the extent that an executive finds the plan useful for his own particular situation, the company gains by having a more satisfied executive who will be less likely to leave the company. The plan provides a carrot to encourage executives to stay with the company and also a stick to discourage executive mobility. As already indicated, unless a participant remains in the plan ten or eleven years, he will not receive as much in the settlement at the time he quits as the amount of salary he gave up by participating in the plan.[1] On the other hand, the plan assists the company in accelerating the retirement of an executive participant whose health may become poor before he reaches retirement age. The early retirement benefit in particular makes somewhat easier the decision to retire an executive whose performance slips between ages sixty and sixty-five.

Another specific advantage of the plan to the company is outlined in the agreement which each participant must execute. In consideration for the company's agreement to pay benefits during the ten-year period specified in the plan, a participant must agree to furnish, as the company may reasonably request, consulting or advisory services to the company during the ten years, without further compensation other than the benefits provided by the plan.

Furthermore the participant must agree not to engage during the ten years in any occupation which the company determines to be in competition with it. If the employee defaults in the performance of either of these requirements, the company's liability for payments under the plan terminates. Conditioning the company's liability to pay benefits to designated beneficiaries or to a participant's estate, the beneficiaries must agree "to perform no acts nor undertake any endeavors" which might be inimical to the best interests of the company unless "such acts or endeavors are simply a continuation of any situation or circumstances in existence at the time of accrual of the beneficiary's rights to receive payments." If the beneficiaries fail to execute such an agreement, or default in the performance, the company's liability for payment of death benefits terminates.

One final advantage of this deferred compensation plan: the schedule of benefits is developed in such a way that the net cost of the deferred compensation plan to the company will be approximately equal to the deferred salary amount had it been paid currently. For example, if the $1,500 deferred by the executive in the exhibit is paid to him currently, the company gets a current deduction for this expense so that the aftertax cost of this $1,500 is only $720 (i.e., 48% of it).

example, if the pension benefit (line 3a) was *not* a reduced benefit, the gross pension would be $8,835 per year and the gain from deferring $1,500 for fifteen years would be $2,664 for ten years. Subtracting the tax ($565) on this increment, the net gain would be $2,099—a total of $20,990 over ten years. To get this, the executive gave up $13,950 in aftertax salary. Thus, by deferring $1,500 under the plan, he received $7,040 more than he deferred. This amount is reduced substantially when the cut in pension benefits is included in the calculation, as is done in the plan.

[1] The cut in salary for this executive does not affect his group insurance coverage (line 2a) because he continues in the same group insurance class. If his group insurance benefits had been cut, his contributions to the plan (line 1f) also would have dropped.

[2] Insurance secured by the individual is not subject to income tax when received by the beneficiary. But under the death benefit from the deferred compensation plan, the amount in excess of $5,000 is ordinary income to the beneficiary.

[3] If, under unusual circumstances, insurance coverage was not extended, the executive could not participate.

[4] Unless he has selected an option for a reduced benefit payable to himself or surviving beneficiary.

[5] Payments are ordinary income to the beneficiary except that the first $5,000 are excludable under Section 101 (b) of the Internal Revenue Code.

[1] However, this differential in effect provides low cost life insurance, as already noted.

PERSONAL PLANNING SHEET: DEFERRED COMPENSATION PLAN

Age 50 Marital Status MARRIED Other Dependents NONE

Salary $25,000 minus deferred $1,500 equals current salary $23,500

	A Without Deferred Compensation		B With $1,500 Deferred Compensation		C Difference
BEFORE RETIREMENT AT AGE 65					
1. Disposable Income					
a. Salary . . .		$25,000		$23,500	$-1,500
b. Other Income . . .		none		none	
c. Federal Income Tax 1/ . . .	$6,344		$5,774		- 570
d. Net Salary . . .		$18,656		$17,726	$- 930
e. OASI Tax . . .	$ 144		$ 144		
f. Group Insurance Premium . . .	212		212		
g. Disposable Income . . .		$18,300		$17,370	$- 930
2. Death Benefits					
a. Group Life Insurance . . .		$25,000		$25,000	$
b. Deferred Compensation . . . Death Benefit (Table 1) . . .		XXXX		19,950	+19,950
c. Total Death Benefits . . .		$25,000		$44,950	$+19,950
AFTER RETIREMENT AT AGE 65					
3. Disposable Income					
*a. Company Pension . . .		$ 8,835		$ 8,271	$- 564
**b. Deferred Compensation Benefit . . .		XXXX		2,664	+2,664
c. Other Taxable Income . . .		none		none	
d. Total Taxable Income . . .		$ 8,835		$10,935	$+2,100
e. Federal Income Tax 2/ . . .	$1,141		$1,578		+ 437
f. Net Taxable Income . . .		$ 7,694		$ 9,357	$+1,663
g. Social Security . . .					
Self . . .		$ 1,440		$ 1,440	
Wife (one-half above) . . .		720		720	
h. Disposable Income . . .		$ 9,854		$11,517	$+1,663
4. Death Benefits					
a. Group Life Insurance . . .		$ 2,000		$ 2,000	$
***b. Deferred Compensation . . . Death Benefit (Table 1) . . .		XXXX		26,700	+26,700
c. Total Death Benefits . . .		$ 2,000		$28,700	$+26,700

* Payable for life
** Payments guaranteed for 10 years
*** Reduced by any deferred compensation paid on a monthly basis following retirement
1/ 1960 tax rates with standard deduction
2/ 1960 tax rates with standard deduction and wife age 65

Therefore, the company can spend $720 to provide a deferred benefit—even though this expense is not deductible currently—and have the same income after taxes as it would have if the $1,500 had been paid as current salary. After taking into consideration the tax on the excess of cash received over the cost of the policy and the tax deduction when the payments are made to the executive, the net cost of the benefits is approximately equal to the net cost of paying the $1,500 as current salary.[1]

HARLAND FOX
Division of Personnel Administration

[1] For a thorough analysis of the use of insurance to fund a deferred compensation plan see Charles B. McCaffrey, "Deferred Compensation" in "Life and Health Insurance Handbook," D. W. Gregg (ed.), Richard D. Irwin, Inc., Homewood, Illinois, 1959, pp 348-361

Management Bookshelf

Education and Manpower—Since 1951 the National Manpower Council has studied problems of manpower utilization and supply. Education has figured heavily in these studies. In the present book various chapters from previous studies, essays, and papers prepared for Council conferences have been brought together and arranged to direct the attention of manpower planners to the relationship between manpower reserves and secondary education, vocational guidance, and higher education. *Edited by Henry David, Columbia University Press, New York, New York, 1960, 326 pp., $5.*

Effective Work Management—This book is directed primarily to persons desiring to become managers. It is predicated on the assumption that their progress will be faster if they comprehend the managerial process before they assume high-level responsibilities. Its aim is to provide information rather than to increase managerial skills, for the author believes skills are acquired only through practice.

The human element of management—the most complex of all in the author's view—has been completely omitted, and financial management has been given only slight consideration. This has permitted concentration upon the management of work. Work management is discussed under the general headings of planning and decision making, executive action, control, and the application of the management process. *By Milton Brown, The Macmillan Company, New York, New York, 1960, 246 pp., $5.*

Partners in Work Relations—The Industrial Welfare Society is one of the two largest management and personnel training organizations in Great Britain. Its director, John Marsh, has travelled extensively throughout the British Commonwealth in recent years and has paid two visits to the United States. In the course of these journeys he has met many hundreds of officials in government, industry, trade unions and social service agencies. Often he has been asked to lecture or to prepare articles based upon his experiences at home and abroad. Several of these lectures and articles, dealing with the processes and effects of industrialization in developing countries, with personnel practices in the United Kingdom, and with management and worker cooperation have now been collected and are published in this one volume. *By John Marsh, Industrial Welfare Society, Incorporated, 48 Bryanston Square, London W1, England, 1960, 42 pp., 5 shillings.*

Exploration in Management—"A description of the Glacier Metal Company's concepts and methods of organization and management," this book serves to illustrate how a research approach to the study of management can contribute to the practical work of managing. The nineteen chapters are divided into sections on structure, policy, communication, specialist work, the gap at the bottom of the executive system, and the sources of managerial authority. *By Wilfred Brown, John Wiley and Sons, New York, New York, 1960, 326 pp., $6.*

Development and Use of Weighted Application Blanks—A systematic treatment of the necessary steps in constructing a weighted application blank as a tool in the employee selection process. Special emphasis is given to the procedures used in developing the "weights" needed for this personnel technique. An extensive bibliography provides references to published material on weighted application blanks and company experience with them. *By George W. England, William C. Brown Company, Dubuque, Iowa, 1961, 55 pp., $2.50.*

How to Instruct Successfully—This book is intended for persons without professional background in teaching who are faced with the task of training other adults. Believing that "An instructor's best insurance against embarrassment or failure is thorough preparation for each instructional job," the author has written a "how-to-do-it" manual. It contains suggestions for planning instruction sessions and a detailed discussion of the advantages of four training methods—lecture, demonstration-performance, group discussion, and role playing. Evaluation of results and trainee counseling as a means of motivation are also discussed. Chapters are devoted to training aids and to preparing the classroom. For those whose duties include long-term responsibility for training, the author discusses the design and administration of training programs. *By Thomas F. Staton, McGraw-Hill Book Company, Inc., New York, New York, 1960, 292 pp., $6.50.*

After rising for six decades, the proportion of the population sixty-five and over may be levelling off at about 10%

Spotlight on the Older Population

NO AREA of economic forecasting has proven more vulnerable than population projections. Subsequent improvements in mortality and unexpected changes in fertility have made past projections fall wide of the mark. Even for the population sixty-five and over, where assumptions as to fertility levels are irrelevant, estimates for ten years beyond a census taking have been proven wrong by the subsequent census.

Statistics on age distribution from the 1960 Census of Population, which recently have been made available, show that this was the case in 1960 just as it had been in 1950 and 1940. A total of 16.6 million older persons were counted in the April 1, 1960 census, 900,000 more than had been estimated from 1950 census data. Should projections of 20 million for 1970 and 24½ million for 1980 be as much understated as the 1960 estimate, there may be an additional 1¼ million persons sixty-five and over in 1970, and perhaps as many as 2 million more in 1980. And if there is a major breakthrough in the fight against the degenerative diseases, such as hardening of the arteries, the older group will be larger still.

Publication of the 1960 Census data makes this a good time to focus attention on the older population. This article will examine the past growth in number of persons sixty-five and over and their increasing importance relative to other age groups. It will describe changes within the older group itself, and touch briefly on the geographical distribution of the aged. And lastly, it will assess future trends in the number and proportion of older persons and in their personal characteristics.[1]

Aged Have Increased Fastest

Relative growth from 1900 to 1960 is charted on page 16 for the total population, and for five age groups —under 18 years, 18-24, 25-49, 50-64, and 65 and over. Throughout the six decades, the sixty-five-and-over group had the greatest percentage gain and the fifty-to-sixty-four group the second greatest. The number of persons fifty and older, in fact, increased three times as sharply as the number of persons under fifty. (See Table 1.)

In 1900, 3 million persons were sixty-five or over, while persons of all ages totaled 76 million. The older group thus accounted for only 4%, or one out of twenty-five at that time. The 17 million older persons today, in a total population of 181 million, represent 9%, or one out of eleven.

Causes for the aging of the population are to be found in trends in births, deaths, and migration.

One factor was the rapid decline in the birth rate from 1885 through the Twenties and Thirties. The sharp curtailment of immigration after 1924 has been another factor, since the typical immigrant is younger than the average American. The striking advance in average life expectancy has been a third factor.

Average expectation of life at birth rose by over twenty-two years in this country between 1900 and 1959[1] to reach within three tenths of a year of the Biblical "three-score-and-ten." True, the greatest strides

[1] Questions of labor force participation and employment of the aged, of their economic status and income sources, etc. will be discussed in subsequent articles in connection with a Conference Board study of pensions and retirement.

[1] "Expectation of life at birth," "life expectancy at birth," "average length of life," or "longevity" are interchangeable terms to describe "a hypothetical measure . . . which shows for a given time period the average lifetime to be expected by a population if at each successive age it experiences the mortality rates that were prevalent during the given time period." Health Information Foundation, "Increased Life Expectancy in the U. S.," Progress in Health Services, Vol. LX, No. 10, December, 1960, p. 1.

Table 1: Population of United States by Age, 1900 and 1960

Category	Millions of Persons		Increase	Per Cent Distribution	
	1900	1960	1900-1960	1900	1960
All ages	76	181	137%	100%	100%
Under 18	31	65	110	40	36
18-24	10	16	55	14	9
25-49	25	58	133	33	32
50-64	7	25	261	9	14
65 and over	3	17	439	4	9
Under 50	66	139	110	87	77
50 and over	10	42	316	13	23

Note: Percentage increases are based on fuller figures than those shown. Population as of July 1; includes armed forces overseas.

Sources: 1900 from Bureau of the Census Current Population Reports, Series P-25, No. 114, April 27, 1955; 1960 estimated for July and to include Armed Forces overseas by NICB from Bureau of the Census, 1960 Census of Population, Advance Reports, PC (A2)-1

have been in the area of infant mortality and infectious childhood diseases, but medical science has also extended life expectancy for persons of middle and old age. Thus, the gains in life expectancy between 1900-1902 and 1959 at age fifty-five were 3.2 years, at sixty-five, 2.2, and at seventy-five, 1.6 years. Though small in absolute terms, these gains have been described as considerable in relation to the necessarily fewer years of life remaining at the older ages.

Both men and women have shared in the rise in average length of life, but the gains for women have been much greater than for men. (See Chart 2.) Between 1900 and 1959, longevity for males rose by 20.2 years —from 46.3 to 66.5; for females by 24.7 years—from 48.3 to 73.0. An excess in expectation of life at birth in favor of women of two years in 1900 thus had widened to 6.5 years in 1949. At sixty-five, one year was added to life expectancy for men, while three years were added for women.[1]

States Vary in Proportion of Older Persons

While for the United States as a whole, the proportion of persons sixty-five and over was 9.2% in 1960, there was a wide range in this proportion among the states. (See Table 2.) The high of 11.9% in Iowa was five times the low of 2.4% in Alaska. In eighteen states older persons constituted 10% or more of total population; in sixteen states, 8% or less.

These variations reflect variations in past trends in births, deaths, and migration, but the last seems to be of prime importance. An analysis of state differences in the proportion of older persons in 1950, which segregated the effects of migration from fertility and mortality, concluded that "out-migration increased, and in-migration decreased the proportion of older persons. This relationship appears to have resulted from the successive gains or losses over a number of decades of migrants concentrated in the young adult years and their eventual descendants."[2]

There were exceptions to this generalization, Florida being the most notable. In Florida, in-migration has brought large numbers of elderly persons, particularly in the last two decades. They have been an important factor in the rise in the proportion of the older population from 6.9% in 1940 to 8.6% in 1950, and 11.2% in 1960.

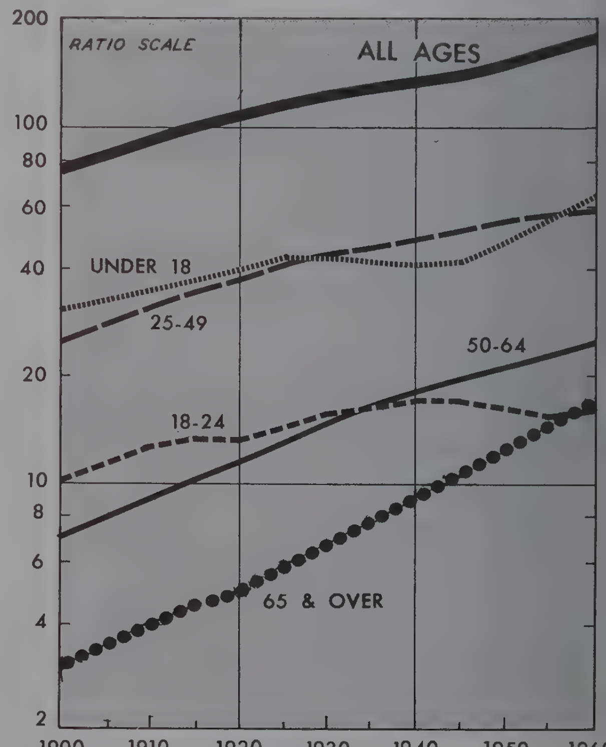
Improved longevity and the differential in "durability" of the sexes have had a decided impact on the sixty-five-and-over group. It contains an increasing proportion of "older" aged; and women outnumber men by an ever-widening margin.

Among the nine million persons who had attained age sixty-five in 1940, women exceeded men slightly (105 to 100), and out of every 100 persons, forty-two were aged sixty-five to sixty-nine, fifty-eight were seventy or more. The sixty-five-plus group almost doubled in the twenty years that elapsed between 1940 and 1960 to reach about 17 million persons. For each two men added, however, there were three women, and for each additional person sixty-five to sixty-nine, two were seventy or more. Thus women have increased their lead over men (121 to 100) and the "older" aged now represent a larger share of the total—sixty-two out of one hundred are at least seventy years old.

When the characteristics of sex and age are joined, it is clear that the fastest-growing segment of the older group is women seventy-five and over. The proportion they represent of the total older group increased from 16% in 1940 to 19% in 1960.

Despite the fact that women live longer than men, they usually marry men who are older than themselves.

Chart 1: Comparative Growth of Five Age Groups Over Last Six Decades
(Millions of Persons)

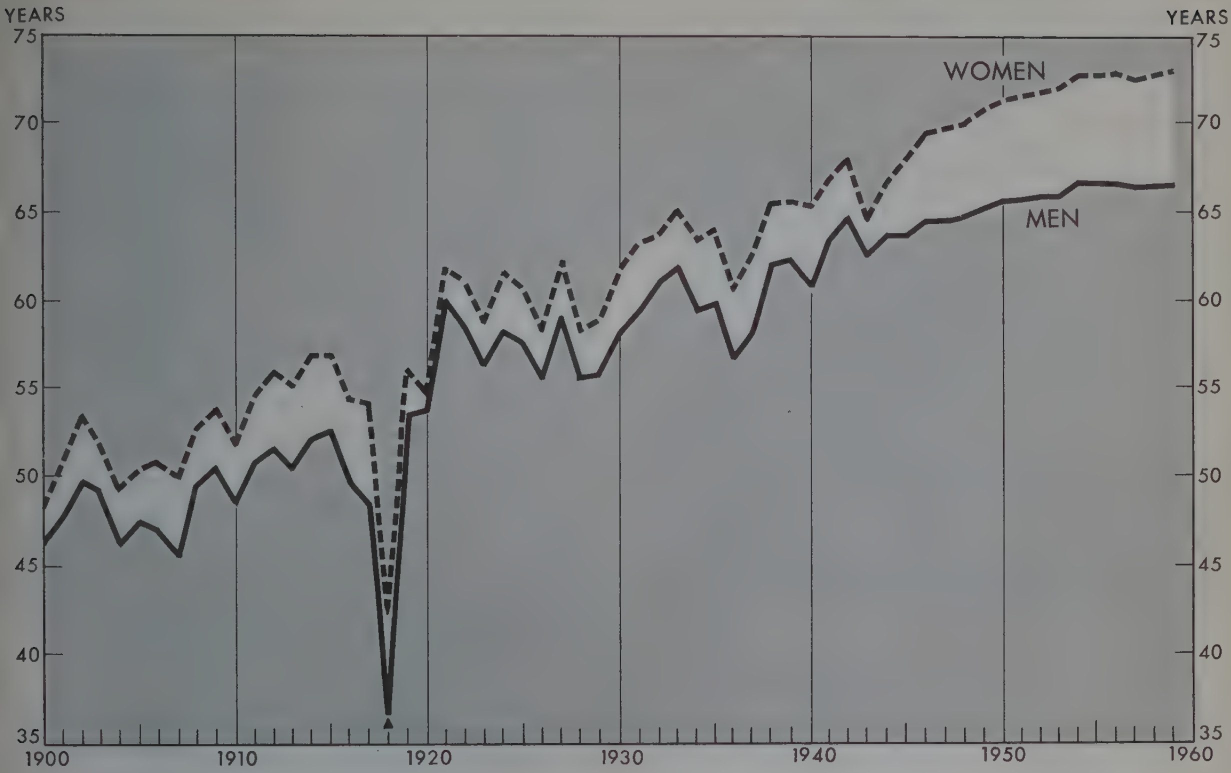


Source: Bureau of the Census.

[1] Between 1900-02 and 1959 life expectancy at age sixty-five rose from 11.5 to 12.7 years for men and from 12.2 to 15.5 years for women.

[2] "The Older Population of the United States," by Henry D. Sheldon, John Wiley & Sons, 1958, pp. 28-29.

Chart 2: Average Length of Life—Women vs. Men



▲ Effect of influenza epidemic of 1918.

Source: Department of Health, Education and Welfare.

This enhances the probability that they will outlive their mates, and lengthens the anticipated period of widowhood. The marital life cycle of the average couple who were wed in 1950 may be viewed statistically as follows:[1]

Item	*Men*	*Women*
Median age at first marriage	23 years	20 years
Expectation of life at marriage	46 years	54 years
Proportion who survive spouse	35%	65%
Mean age at widowhood or widowerhood	65 years	61 years
Mean age of widow or widower at death	79 years	80 years

For the two out of three married women who will survive their husbands, the average age at widowhood is sixty-one years and the woman may expect a period of widowhood of nineteen years. Small wonder that there is a preponderance of widows at the upper age levels.

[1] See "Statistical Measures in the Marital Life Cycles of Men and Women," by Robert J. Myers, International Population Conference at Vienna, 1959, p. 3.

In 1960, of the women fifty-five to sixty-four years old, 25% were widows; of those sixty-five to seventy-four, 44%; and of those seventy-five and over, 68%. There were close to five million widows sixty-five years of age and over. These constitute almost 30% of the *total* older population.

Has the Burden of Dependency Increased?

In discussions of the impact of the changing age structure on the economy, concern is often expressed over the fact that the older population is growing at a faster rate than the population in the productive ages. To the sixty-five-plus group must be added children under eighteen, however, for a full picture of the dependency burden.

Between 1900 and 1960, the number of older persons and children increased 141%, the number of persons eighteen to sixty-four years old 135%. The similarity in the relative gains made by the two groups means that the dependency burden was roughly the same at the end of the period as it was at the beginning.

When the number of older persons and children is expressed as a percentage of the population of working age, a measure that has come to be known as the dependency ratio is obtained.[1] This dependency ratio is charted on page 19 for the years 1900 to 1960. It was roughly eighty on the terminal dates, but it dipped as low as sixty in 1940. Since the majority of dependents are children rather than older persons the low point in 1940 reflects the low fertility of the two previous decades. The contribution that older persons have made to the dependency ratio, although small, has increased steadily, accounting for seventeen percentage points in 1960 compared with seven in 1900.

FUTURE TRENDS

The difficulties inherent in population projections were mentioned at the beginning of this article. Thus, estimates for about 20 million older persons in 1970 and almost 25 million in 1980 were presented with the understanding that they may be on the low side. The bias may result from misreporting of age or major advances against the degenerative diseases.

[1] The assumptions that everyone under eighteen and over sixty-four is a dependent and that all other persons are workers are implicit in the dependency ratio making it a rough measure at best. Other measures of dependency are discussed in "How Many Dependents Per Worker," *The Business Record,* July, 1961, p. 7.

The expectation of life implied by the projections rises from 66.7 years in 1955 to 69.8 years in 1975-80 for males, and from 72.9 years to 76.0 years for females. But Dr. Herbert S. Robb of the Wayne College of Medicine has said, "If we could cure atherosclerosis, the ordinary lifespan, except for cancer, might be 120 to 130 years." Dr. Edward L. Bortz, past president of the American Medical Association believes that average life expectancy will leap from the present seventy years to one hundred years in a couple of decades.

Most demographers, however, are more modest in their expectations. First of all, the elimination of any single cause of death would result in relatively small increments to average length of life. Secondly, it seems probable that instead of causing sharp dramatic gains in longevity, the fruits of medical research will be spread over a number of decades.

The additional uncertainty of the level of birth rates in the future makes it even harder to predict the future trend in the proportion of older persons in the population than in the actual number of persons sixty-five and over. Four series of projections of the population by age have been prepared by the Bureau of the Census based on four different expectations of fertility.

For all of the series, the growth of the older group will be more in line with the growth in the total population in the twenty years ahead than it was in the first

Table 2: Persons Aged Sixty-five and Over by State

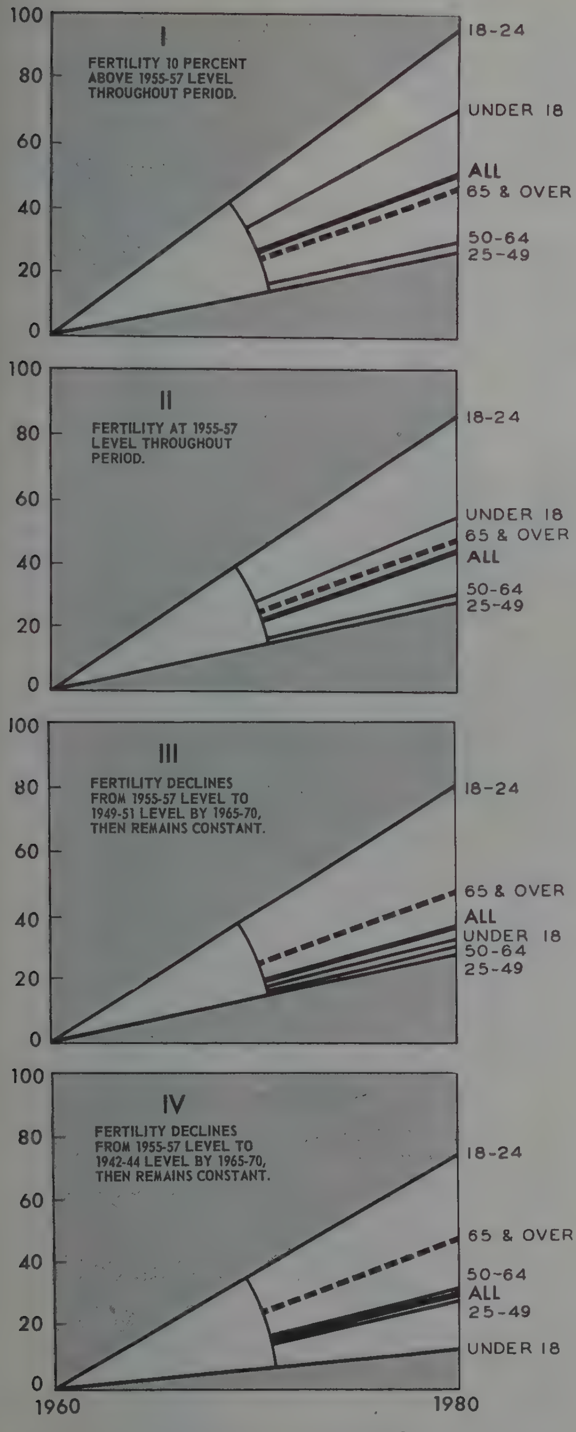
April 1, 1960

State	Number of Persons (In Thousands)	Per Cent Increase 1950 to 1960	Per Cent of Total Population	Rank by Per Cent of Population[1] (High to Low)
United States	16,560	35%	9.2%	..
Alabama	261	31	8.0	36
Alaska	5	14	2.4	51
Arizona	90	104	6.9	44
Arkansas	194	30	10.9	10
California	1,376	54	8.8	31
Colorado	158	37	9.0	30
Connecticut	243	37	9.6	22
Delaware	36	36	8.0	37
District of Columbia	69	22	9.1	29
Florida	553	133	11.2	4
Georgia	291	32	7.4	40
Hawaii	29	43	4.6	50
Idaho	58	34	8.7	32
Illinois	975	29	9.7	20
Indiana	446	23	9.6	23
Iowa	328	20	11.9	1
Kansas	240	24	11.0	8
Kentucky	292	24	9.6	24
Louisiana	242	37	7.4	41
Maine	107	14	11.0	9
Maryland	227	39	7.3	42
Massachusetts	572	22	11.1	7
Michigan	638	38	8.2	35
Minnesota	354	32	10.4	13
Mississippi	190	24	8.7	33
Missouri	503	24%	11.7%	2
Montana	65	29	9.7	21
Nebraska	164	26	11.6	3
Nevada	18	65	6.4	47
New Hampshire	68	17	11.2	5
New Jersey	560	42	9.2	27
New Mexico	51	55	5.4	49
New York	1,688	34	10.1	17
North Carolina	312	39	6.9	45
North Dakota	59	22	9.3	25
Ohio	897	27	9.2	28
Oklahoma	249	28	10.7	11
Oregon	184	38	10.4	14
Pennsylvania	1,129	27	10.0	18
Rhode Island	90	27	10.4	15
South Carolina	151	31	6.3	48
South Dakota	72	29	10.5	12
Tennessee	309	31	8.7	34
Texas	745	45	7.8	38
Utah	60	41	6.7	46
Vermont	44	11	11.2	6
Virginia	289	35	7.3	43
Washington	279	32	9.8	19
West Virginia	173	25	9.3	26
Wisconsin	403	30	10.2	16
Wyoming	26	43	7.8	39

[1] To avoid fractional ranks, states with identical percentages are ranked alphabetically within that percentage.

Source: Advance statistics from the 1960 Census of Population as presented in "New Population Facts on Older Americans," a staff report to the Special Committee on Aging, United States Senate, 87th Congress, 1st Session, May 24, 1961, pp. 28-29; 34.

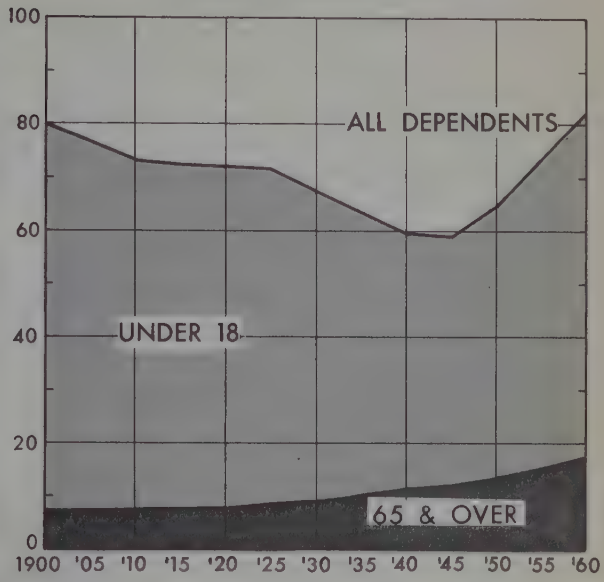
Chart 3: Per Cent Increase in Five Age Groups, 1960 and 1980: Four Possibilities Based on Different Expectations of Fertility



Source: Computed by THE CONFERENCE BOARD from Bureau of the Census data.

Chart 4: Dependency Ratio Similar in 1900 and 1960, But Aged Contribute a Larger Share

(Number per Hundred 18 to 64)



Source: Computed by THE CONFERENCE BOARD from Bureau of the Census data.

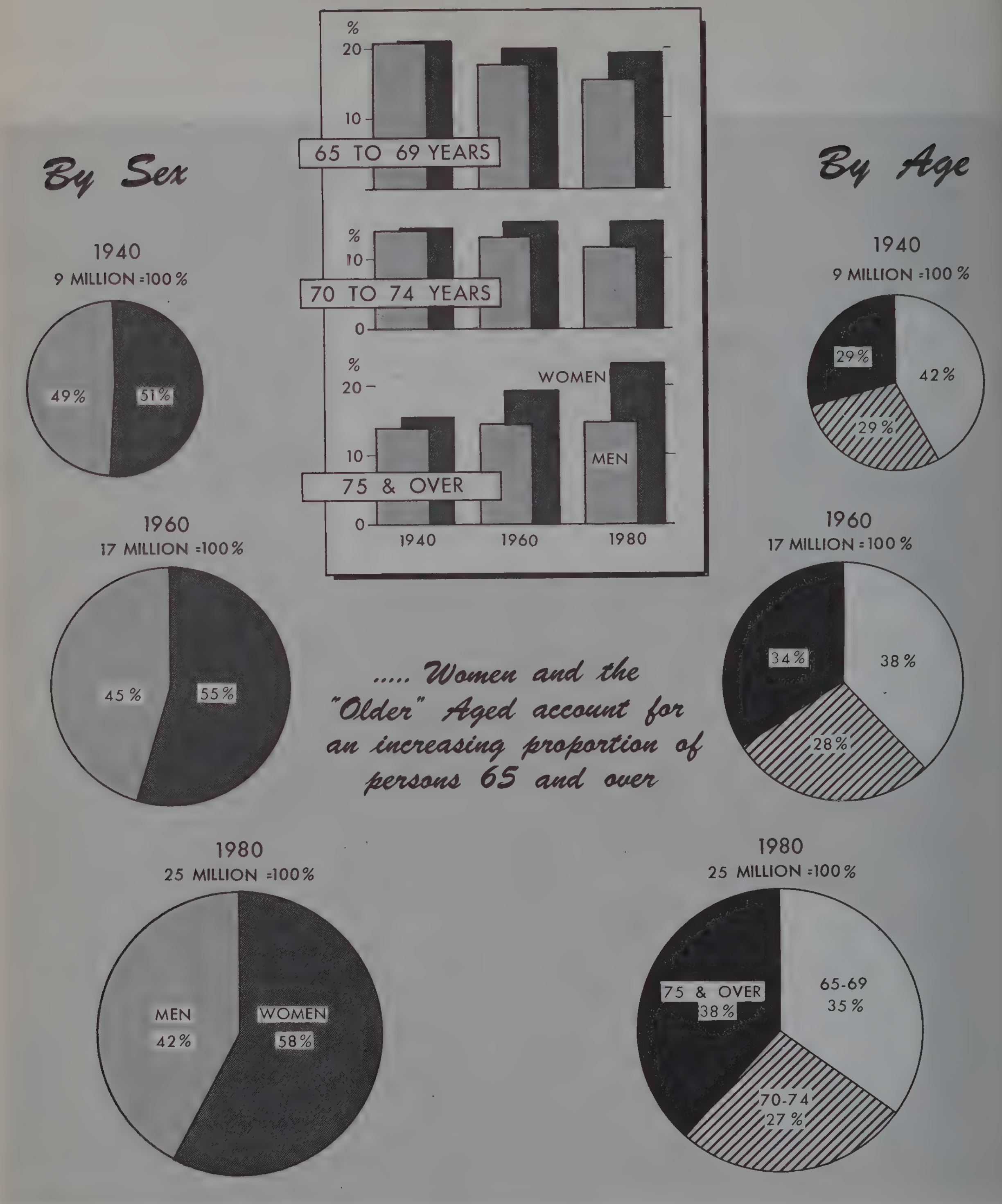
six decades of the century.[1] In other words, there appears to be a leveling off in the proportion of the population that is sixty-five and over. (See Chart 3.) It is likely that it will be about 10% in 1980, give or take a percentage point, compared with 9% today.

Projections of the ratio of the aged to the working-age group is on firmer footing, as most of the persons who will be eighteen to sixty four in 1980 were already born when the estimates were made. This also will level off in the decades immediately ahead, reaching eighteen in 1980 under all of the series compared with seventeen today. When children are added to the aged to measure the total dependency ratio, however, the possibilities projected by the Census Bureau range from seventy-two to ninety-eight in 1980 compared with eighty-two in 1960.

This rundown of the number of older persons and

[1] The highest, Series I, incorporates fertility levels higher than any that have been observed in the past fifty years, specifically 10% above the 1955-57 level. According to the Census Bureau, over the long run it is highly improbable that fertility will remain at such high levels, but it is a possibility in the short run and has been included for that reason. Series IV, the lowest series given, incorporates fertility levels which fall only to the 1942-44 level, which is well above the 1930-39 depression level. The Census Bureau warns that it is by no means regarded as a possible lower limit. The other two series of projections fall between these two, Series II assuming that 1955-57 level of fertility will remain constant, and Series III, assuming that fertility will fall to the 1949-51 level.

Chart 5: Changing Characteristics of the 65-plus Group



Source: Computed by THE CONFERENCE BOARD from Bureau of the Census data.

their relative importance in the total population tells only part of the story, the quantitative part of it, as it were. Perhaps of more significance to our social and economic policies is the qualitative part, the changing composition of the sixty-five-and-over group itself. Here trends observed between 1940 and 1960 will be continued, if not accentuated. For every man to be added to the older group between 1960 and 1980 there will be two women, and for each three persons sixty-five to sixty-nine, seven will be seventy or over. As a result, among the 25 million persons expected in the sixty-five-and-over group in 1980, it is estimated that there will be 139 women per 100 men, and that 65% will have passed their seventieth birthdays.

Women seventy-five and over will continue to be the fastest growing group, increasing from 19% of all the aged in 1960 to 23% in 1980. (See Chart 5.) More older women means, as was pointed out earlier, more widows. Aged widows may reach 8 million by 1980, close to one-third of the older population, and equal to the *total* number of persons sixty-five-and-over when the Social Security Act was passed in 1935.

MIRIAM C. KERPEN
Division of Personnel Administration

Picking Seniors Who Make Good

CONSIDERABLE responsibility is given the company representative who is sent to the colleges to interview promising members of the senior class. It is no secret that those chosen are likely to have a headstart over other young people brought into the business from different sources.

The recruiter seldom knows those whom he will interview when he arrives at a particular college. Ordinarily he has twenty to thirty minutes to talk with each senior who appears for interview. During this short period he becomes acquainted with the student, reviews his background, answers his questions about the company, and decides whether the contact should be continued. (If it is to be continued, the student may be invited to fill out an application form, take some tests, visit the company at some future date, etc.)

While talking with the student, the recruiter is sizing him up. The basic question he is asking himself is: *If we hire this young man will he stay with us and will he make good?* Recruiters have different ways of getting at this matter. Some conduct very informal interviews, while others depend upon a standardized set of questions. Some dominate the interview, talking and attempting to "sell" the student most of the time. Some have favorite, trick questions. Some employ the "startle" or "stress" technique.

Two researchers, one the director of the industrial relations center and the other a placement officer at the University of Michigan, recently collected information from ninety-nine companies and several hundred students about recruiting practices. Their findings are contained in a book[1] that provides a factual examination of the "million dollar manhunt" that companies are conducting annually on college campuses across the country.

The book offers an affirmative answer to a question businessmen often raise about research reports: "Is there anything practical here that I can use to enable me to do my job better?" Containing numerous anecdotes, charts and tables, it gets down to cases and offers specific help, as well as general guidance, that management can use to improve its recruiting practices.

The authors propose that: ". . . *what the recruiter is getting at is to discover whether or not the student has formed his own self-image yet, and if so, if it is suitable for the company.*

"The student who has such an image of himself is eager to talk about it, even when he hasn't consciously realized that he has arrived at one. The task of the recruiter is to check the young man and see what condition his self-perception is in. We don't suggest fixed questions to get at it. (The research showed that 'favorite questions' wear out quickly on campus.) Rather there are four major areas which can be investigated once the *curriculum vitae* of the candidate is handled and set aside.

"1. What forms of recognition do you seek? All of us want the approval of someone. Whose approval it may be differs from person to person. The would-be manager desires the approval of a boss and of his colleagues in business. He longs for status in the market place, his name and face on the financial pages of the *Wall Street Journal,* his picture in *Fortune* magazine as a leader in industry. The fine-arts student seeks the acclaim of the critic, the people of taste, the cultured man. The intellectual seeks the approval of scholars,

[1] "Effective College Recruiting" by George S. Odiorne and Arthur S. Hann, University of Michigan, 1961, 288 pp., $5.

editors, and critics. All of us have some special small group whose approval we would most like to gain. Identifying your own source of *important* recognition is a first step in defining your own self-image.

"2. What groups do you most want to belong to? Basically we all need approval and the sense of belonging to a group which gives us the things we need. It may be on executive row; it may be in the laboratory; it may be among the beatniks inhabiting the pads along North Beach. With whom would you be most pleased to spend the rest of your life in daily communication? Identifying where your sense of belonging finds its greatest satisfaction is an essential part of constructing an adequate self-image.

"3. At what activity do you feel most adequate? Everyone of us has some special skill in which we take pride that we are better than most people. It is our monopoly on being adequate to the challenges it presents. Perhaps we haven't achieved full adequacy or haven't grown to our full potential as yet, but we've discovered a talent in ourselves which exceeds most people's and want to pursue it because of the feelings of adequacy it provides. Discovering yours, and tying it to your needs for recognition and belonging is part of creating a self-image.

"4. How much security do you want and need? How self-reliant are you? Do you really want to be the 'master of your fate and the captain of your soul'—or would you prefer to keep that anchor to windward? If obtaining the other things you want means you'd prefer to have an umbrella to protect you from the insecurities of going it alone, you might do well to recognize it. It's no stigma to want to know where your next paycheck is coming from, or what will happen to you and your family if you become ill or too old to produce. How strong is your urge for independence? This should shape your self-image. . . . .

"Hiring the wrong man is a serious problem. When he leaves after staying only a few months with the firm, it costs money to replace him. It also hurts him, especially if it indicates that he's still trying to figure out who he is and doesn't yet know.

"With some practice," say the authors, "the recruiter can get some strong indication of how well a man will fit into his company if he draws an accurate bead on these four facets of the young man's self-image."

However, the book points out that "no set of standard recruiting procedures can take the place of human understanding."—S.H.

Management Bookshelf

Industrialism and Industrial Man—Seeking greater understanding of some of the complexities of labor relations in the United States by viewing them against the background of similar problems in other countries, the Ford Foundation-financed Inter-University Study of Labor Problems in Economic Development has examined the processes of industrialization and the relationships between managers and the managed in almost every nation of the world. Fifty previous books and articles have been published reporting the results of investigations by almost eighty persons here and abroad. These have included both studies of individual nations and "cross-cut" studies of particular aspects of industrialism in many nations.

Now the four principal researchers have prepared a progress report, setting forth a conceptual framework which can be used to organize and give meaning to the variety of practices, strategies, rules, and reactions that have been found in studying the ways men accommodate themselves to industrial society. *By Clark Kerr, John Dunlop, Frederick Harbison, and Charles Myers, Harvard University Press, Cambridge, Massachusetts, 1960, 331 pp., $6.*

New 1961 Minimum Wage Law—With Explanation—The complicated changes embodied in the 1961 amendments to the Fair Labor Standards Act are explained and analyzed in this handbook. The amendments are put in focus to show which employees receive wage increases as a result of the new law, which employees are covered and which are now exempt. The book includes the text of the Act with all the 1961 amendments. *By Commerce Clearing House, New York, New York, 1961, 128 pp., $2.*

Management Development in a Changing World—"The proper objective of management development is an improvement of the job being done . . . not the improvement of the individual in the hope he will then do a better job."

This view, expressed by the author before the Committee on Executive Development of the Railway Progress Institute in 1959, led the committee to commission the present book. The quoted views also reflect the approach the author follows in discussing management development and the evolution of a performance appraisal. While the book was intended for the use of the railway industry, and reflects the special problems of that industry, it was written with the problems of the general business community in mind as well, for the author believes that, in a changing world, "no group of people will be challenged more than the leaders of industry." *By George N. Daffern, Simmons-Boardman Publishing Company, 30 Church Street, New York, New York, 1960, 121 pp., $4.*

After Twenty-five Years—What?

With money, jewelry, gifts, vacations, and special privileges and honors, companies recognize their senior employees' service up to the half-century mark

An increasing number of companies in this country are beginning to show their age. It can be seen in the current provisions of their long-service recognition programs.

The quarter-century mark used to be the high point of such programs. And relatively few employees reached it, largely because there were few companies that had been in business for as much as twenty-five years.

But today there are well over 5,000 American companies in business for fifty years or more. Greater pension and other long-range benefits, moreover, have helped to reduce labor turnover. As a result, the twenty-five-year employee has not only ceased to be a rarity, but the number of employees with thirty, forty and even fifty years of service has mounted rapidly. For example, E. I. du Pont de Nemours & Company found in a recent study that the proportion of its total work force with more than twenty-five years' service had increased from 3.3% in 1939 to 13.6% in 1960. Approximately a third of the Philadelphia Electric Company's employees have been on the payroll for more than twenty-five years. Many other companies also point with pride to the steady rise in the number of their employees with long years of service.

If, in the face of such developments, the quarter-century mark remains the high point in a company's long-service recognition program—if an engraved gold watch or other valuable award is presented at that time and nothing special from then on—the employees who complete thirty, forty or fifty years of service are apt to feel let down.

With this in mind, many companies have provided special awards for service anniversaries beyond the twenty-fifth. These awards are presented in various forms. However, the employer's purpose in providing them is invariably the same—to show both the qualifying employees and their fellow workers that long and faithful service is *always* appreciated. This purpose is expressed in the policy and procedure manual of the Phillips Petroleum Company as follows:

"It is deemed fitting and proper that the recognized service of employees be made evident to their associates and others and duly acknowledged by the company in some appropriate manner."

SERVICE PINS

A service pin or lapel button bearing the company emblem is an award frequently presented to employees who pass the quarter-century mark. They often receive it on each subsequent fifth anniversary of their employment, and the presentation is likely to be made an occasion. As one company manual states:

"Employees will be proud to wear pins showing their service with the company. This is especially true of longer service employees. They, naturally, get a greater feeling of satisfaction if the pin is presented with appropriate remarks and with some ceremony."

The year of the particular service anniversary may appear on the face of each pin presented. For example, the pins given to long-service employees on a West Coast newspaper "are replaced each fifth anniversary by new pins with figures to indicate the number of years of service."

Some companies use colors, instead of numerals, to distinguish long-service anniversaries. A large manufacturing concern, for instance, awards gold pins that have the company emblem mounted on an enamel background. Blue enamel is used to designate thirty years of service; red enamel, thirty-five years; green enamel, forty years; and black (men only), forty-five years.

Frequently, too, diamonds and other precious stones are set into pins or lapel buttons awarded to employees with more than twenty-five years of service. Some firms use diamonds only. One company has this plan:

Number of Years' Service	*Type of Service Pin*
30	Gold—2½ pt. diamond
35	Gold—3 pt. diamond
40	Gold—3½ pt. diamond
45	Gold—4 pt. diamond
50	Gold—5 pt. diamond

More commonly, however, diamonds are combined with other gems. One manufacturer recognizes each

additional five years of service (after twenty-five years) with a new service award containing a diamond for each ten years of service and a ruby for each five years. An insurance company awards a gold shield pin or lapel button with a diamond and two ruby chips to thirty-year employees. The pin it presents to thirty-five-year employees has a diamond and two emerald chips. Forty-year employees receive a pin with three small diamonds.

FUNCTIONAL JEWELRY

Because some employees object to wearing service pins and lapel buttons, a steadily increasing number of companies now mount service anniversary emblems on a wide selection of functional jewelry. For example, a manufacturing concern makes its emblems available as lapel buttons, pins, or charms for necklaces or watch chains. A utility offers its emblems in any one of six forms—tie bar, tie chain, necklace pendant, pin (or lapel button), brooch, or charm bracelet. Other companies include cuff links, compacts, rings, lockets, lighters, cigarette boxes, pocket knives, belt buckles, and money clips among the types of functional jewelry that employees may select as settings for their long-service anniversary emblems.

An engraved gold watch has been the traditional award for twenty-five years of service, although a growing number of companies are now presenting watches at the end of twenty years. A few companies, on the other hand, require more than twenty-five years of service. An oil company that reserves the watch presentation for the thirtieth anniversary provides for the possibility that the employee will possess a good watch by this stage of his career. Its service recognition program offers a choice of the following types of watches:

"Male employees may select from four solid gold watches: a nonautomatic rectangular wrist watch, a nonautomatic round wrist watch, an automatic round wrist watch, or a pocket watch. Female employees may select from two solid white gold wrist watches with diamonds."

Some of the companies that provide a gold watch as the award for service anniversaries beyond the twenty-five-year mark also provide that an eligible employee who possesses a fine watch may choose, instead, a perpetual-motion mantel clock or a gold desk clock with his initials and the company emblem inscribed on the face.

SILVER OR MERCHANDISE

Silver is a popular gift for post-twenty-five-year anniversaries. A bank, for example, awards a sterling silver tray after thirty-five years of service. The sterling silver tray awarded to thirty-five-year employees by a department store is engraved with the signatures of major executives. SKF Industries in Philadelphia not only gives a gift of silver but adds a monetary award. Its thirty-year employees receive an engraved silver fruit dish filled with one hundred silver dollars; its forty-year employees get an engraved silver pitcher and a $500 United States Savings Bond. At the completion of fifty years of service, an employee receives an engraved perpetual-motion mantel clock and a check for $1,000. In this company, which absorbs the taxes payable on all long-service awards, a watch is presented on the twentieth anniversary.

Some companies allow an employee celebrating a service anniversary to choose his own gift from a specially prepared catalogue. As a rule, the value of the gift selection increases with the number of years of service. Illustrative of the gifts offered for the later anniversaries are oil paintings, television sets and combination radio-phonographs.

With the trend toward later schooling and earlier retirement, not many employees achieve a half-century of service. Those who do usually receive a highly personalized gift. A textile company, for example, had a leading photographer make a portrait of an employee who had completed fifty years of service. It was presented to her in a solid gold frame, along with a hand-lettered scroll expressing the company's appreciation for her services.

The Stanley Works in New Britain, Connecticut, gives its fifty-year employees a miniature tool chest engraved with their names and anniversary dates and containing fifty silver dollars. This miniature is an exact replica of a large chest that is displayed in the company's main plant and that has engraved on the inside of its cover the roster of all Stanley employees who have achieved the half-century milestone.

The Frank H. Fleer Corporation, a Philadelphia gum manufacturer, gave an employee who completed fifty years of service an extra week's vacation with pay, $150 in cash, and a set of matched luggage and told her she could take a trip to any place in the world she desired at company expense. She chose California, and the company paid her travel and living expenses for the trip.

MONETARY AWARDS

Employees with more than twenty-five years' service are sometimes given awards on their service anniversaries in the form of money. Bankers Trust Company, for instance, adds an award of $500 to the privilege of an extra two weeks of vacation when one of its

employee celebrates his thirty-fifth and forty-fifth anniversaries.

Some companies make a monetary award on just one service anniversary. For example, the only monetary award made by a manufacturer of photographic equipment is the $250 check given to employees who complete forty years of continuous service. On the other hand, there are companies that pay these awards at regular intervals. For example, the Acme Steel Company gives an employee $100 on his twenty-fifth service anniversary and on every fifth anniversary thereafter; on the thirty-fifth anniversary, it gives him a wrist watch along with the $100.

The Firestone Tire & Rubber Company presents (in addition to the appropriate service emblems) a check for $100 on the thirtieth and thirty-fifth anniversaries, a check for $200 on the fortieth anniversary, and a check for $300 on the forty-fifth anniversary.

In The Conference Board's file of long-service recognition programs, the largest monetary award is $1,000. An award of this size is presented, in most instances, on the occasion of the fiftieth anniversary of service. Johnson & Johnson, however, awards this amount when an employee has been with the company for the comparatively short period of thirty years.

Monetary awards ordinarily are paid in cash or by check. But a few companies substitute United States Savings Bonds. A manufacturer, for example, presents a $25 bond on the twenty-fifth anniversary of service and on every fifth anniversary thereafter. Occasionally, too, the monetary award is given in the form of company stock. An insurance organization gives its staff members fifteen shares of company stock after twenty-five years, "with the amount being increased by five shares with each additional five years of service." Scott Paper Company awards employees one share of its common stock for every five years of continuous service. The share is purchased on the open market, and the company assumes full responsibility for payment of federal withholding tax on the award.

The Phillips Petroleum Company provides a fixed monetary award that is payable in whole shares of company stock with the balance in cash. Under this company's program, a service emblem is presented for every five years of service and a watch at the end of twenty-five years. Then, beginning at thirty years, the stock awards are made as follows: 30 years—$200; 35 years—$500; 40 years—$800; 45 years—$1,000.

In some companies, monetary awards for long service become a regular addition to the qualifying worker's income.[1] For example, employees of the Metropolitan Life Insurance Company who reach the quarter-century mark of service receive an extra $200 annually from then on. An electronics company pays employees who have completed twenty years of service an annual service award equal to 6% of total pay (including overtime) and then increases this percentage by ¼% each year thereafter. It also awards a check for $250 on the occasion of a twenty-fifth anniversary and a check for $500 on the occasion of a fiftieth anniversary of an employee's service.

Sometimes, of course, the annual year-end or Christmas bonus is based on length of service.

LONGER VACATIONS

Employees who pass the quarter-century mark often enjoy the privilege of longer vacations with pay. L. S. Ayres and Company, a department store in Indianapolis, Indiana, states in its supervisors' manual of personnel policies that it "is proud of its long-service employees and in appreciation recognizes uninterrupted length of service at five year intervals by granting regular employees extra or 'bonus' vacation days in each anniversary year."

Such recognition is provided for employees with more than twenty-five years' service in line with the following schedule:

30 years	10 bonus days
35 years	15 bonus days
40 years	20 bonus days
45 years	20 bonus days
50 years	45 bonus days

Other companies also limit the added vacation time for long service to anniversary years. An oil company, for example, gives its employees an extra two weeks off with pay (for a total of five weeks) on their twenty-fifth anniversary year and an extra three weeks off (for a total of six weeks) every fifth year thereafter.

In many companies, when an employee achieves a service anniversary that qualifies him for the privilege of additional paid vacation, he continues to enjoy that privilege every year from then on. A publisher, for example, permits employees with thirty or more years of service to take five weeks' vacation every year. Employees of the National Cash Register Company become entitled to an extra five days of annual vacation as soon as they become members of the company's twenty-five-year club. And the Prudential Insurance Company of America has a vacation schedule that allows up to seven weeks of vacation every year. A portion of the schedule covering employees in this company who have more than twenty-five years of service is shown at the top of the following page.

[1] See also "Wage Increases for Long Service," *Management Record*. May, 1953, p. 166.

Years of Service	Annual Vacation with Pay
25-29	4 weeks and 2 days
30-34	5 weeks
35-39	5 weeks and 2 days
40-44	6 weeks
45-49	6 weeks and 2 days
50 and over	7 weeks

SPECIAL PRIVILEGES AND HONORS

The awards provided for employees with more than twenty-five years' service are sometimes presented in the form of special privileges or honors. A number of companies, for example, reserve the best parking stalls for the employees with the longest service.[1] The Freeport Sulphur Company names every new boat added to its fleet after one of its employees, and length of service (regardless of job level) determines the order in which this unusual honor is bestowed. The New Haven Railroad gives each employee who remains with the company for forty years a lifetime gold pass in a leather pass case. And Saks Fifth Avenue in New York City, the parent department store of Saks & Company, reserves a number of privileges for staff members with twenty or more years' service. The employee:

1. Is presented with an identification card that permits shopping any time during the day (shopping time for other employees is normally limited to the hours between 9:30 and 11:30 a.m.).
2. May open a charge account (a privilege other employees do not enjoy).
3. Is allowed an extra week of vacation (for a total of four weeks) every year.
4. Is invited to an annual dinner at a leading hotel.
5. Is given a $100 bond each year, enclosed in the annual dinner program.

Time-clock Privilege

In a few companies, any employee who completes twenty-five years of service becomes exempt from the duty of punching the time clock or signing the time sheet. This privilege is part of the labor contract an insurance company negotiated with a union:

"Employees who have been in the service of the company for twenty-five years or more shall not be required to punch the time clock. This privilege may be withdrawn from any employee whose record is not comparable with the average employee who is required to punch the time clock."

Receptions and Luncheons

Long-service employees occasionally have receptions staged in their honor during working hours. This honor is bestowed on the employees of a manufacturing company on the thirty-fifth anniversary and on each succeeding fifth anniversary thereafter. More commonly, however, such a reception is held for the long-service employee on only one anniversary. For example, Eli Lilly and Company's management procedure manual provides:

"It shall be company policy for a reception to be held during working hours for an employee on his thirty-fifth anniversary with the company. The personnel department shall be responsible for necessary follow-up to insure that all eligible employees receive this recognition. The personnel department shall also be responsible for furnishing a reception book for visitors' signatures and the same number of roses as the anniversary being celebrated. The cafeteria shall furnish cookies and punch. The expense of these items shall be assumed by the personnel department.

"The line organization shall make the necessary arrangements for receptions but shall be assisted by a standing committee, the chairman of which shall be designated by the personnel department. The division director of an employee who is to have a reception will be informed by the personnel department so that he may make the necessary notifications.

"Receptions shall be held in lounges or conference rooms near the employees' work areas. Receptions shall be limited to one and one-half hours. . . .

"Employees who have had a reception on their thirty-fifth anniversary shall not be given another reception on a later anniversary."

As an alternative to a reception on the job, some companies hold luncheons for employees who achieve long-service anniversaries. Within reasonable limits, the employee being so honored is usually allowed to choose the fellow workers he wants at the luncheon and the company pays the entire bill. A manufacturing company, for example, includes the following provisions in its supervisor's manual:

"A company-sponsored luncheon is given in honor of each employee completing twenty-five years' service, at each five-year interval thereafter, and upon retirement.

"The employee has the right to select the guests (company friends and associates) who should include the immediate supervisor as a company representative; the total group is not to exceed twelve, including the honored guest.

"Anniversary luncheons may be combined for two or more employees at a 'group' affair, on approval of the interested superintendent.

"Though there is no company-wide limit on the cost of the luncheons, the intent of basic policy is to keep the expense at a reasonable level."

Banquet Invitations

Last year, a paper products company held a banquet in honor of a state governor who had formerly been an

[1] See "Handling Employee Parking Problems," *Management Record,* June, 1961, pp. 23-24.

executive does not feel that he fits rigidly into one slot made it impossible to invite all employees, the privilege of attending the banquet was reserved for those employees who had completed twenty-five or more years of service.

This preference for the oldest employees seems to be common practice at such affairs. In many of the companies that have annual service-award banquets, for instance, employees with less than twenty-five years' service are invited to attend only in the years they are scheduled to receive an anniversary award; older employees, on the other hand, are invited every year.

But as the number of long-service employees continues to rise, a cutoff point for invitations to annual banquets sometimes is made at a point later than the twenty-five-year mark. For example, New Departure Division of General Motors with plants in Bristol and Meriden, Connecticut and Sandusky, Ohio, has so many employees with lengthy service it cannot accommodate all of them at its annual service-recognition banquet. Employees with the company for twenty-five, thirty, thirty-five or forty years are invited on those anniversary years only. They do not qualify for the privilege of going to the banquet every year until they have reached their forty-fifth anniversary.

PUBLICITY

In publicizing anniversaries, special attention is given to those who have more than twenty-five years of service. A manual on the presentation of employee awards, distributed to all plants of the General Electric Company, has this to say about forty- and fifty-year awards:

"Because the attainment of forty and fifty year service records with the company is considerably more rare than twenty-five-year service records, plans for presentation of these awards should be somewhat more elaborate than in the case of the twenty-five-year awards. The ceremonies . . . are usually followed by a luncheon for the honored employee or employees. Some plants arrange to have personal letters of congratulations sent to the employees by top company officials. Adequate coverage in local newspapers, the *GE News,* and radio stations should be insured by providing advance photographs and news stories. Additional publicity can be achieved by arranging radio interviews or feature stories based on changes which have taken place during the employee's tenure with the company."

Each time an employee of the Nestlé Company reaches a fifth anniversary beyond the quarter-century mark, a memorandum is circulated to publicize the occasion. However, if the celebrant is a woman, it is recognized that she may prefer not to have the length of her service advertised in this way. The following appears in the company's personnel procedure manual:

"Every fifth anniversary after twenty-five years, a memorandum will be circulated in the company location where the employee works. The immediate supervisor of the employee and the officer in charge of his department will be notified before a memorandum is circulated. The immediate supervisor may take the employee to lunch on the anniversary date. Permission of female employees will be secured before circulating a memo concerning additional service beyond twenty-five years."

A novel kind of personal publicity is provided for the thirtieth anniversary of service at a paper company. Employees who reach that anniversary are presented with a watch, and a picture is taken of the presentation. One copy of this picture is given to the employee; another is hung in the main reception room where the pictures of all thirty-year employees are displayed in a group.

The Carlsberg Brewery in Copenhagen, Denmark, goes a step further in this direction. When one of its employees completes fifty years of service, the company has his portrait painted. The finished painting is hung in the Carlsberg Museum's gallery of honor.

J. ROGER O'MEARA
Division of Personnel Administration

Management Bookshelf

Anatomy of a Labor Arbitration—This volume is designed to assist both lawyers and nonlawyers in preparing cases for arbitration. Such topics as preparing the brief and the presentation of the case are handled. Another section discusses the enforceability of the agreements to arbitrate and judicial review of arbitration. *By Sam Kagel, Bureau of National Affairs, 1231 24 St., N.W., Washington 7, D.C., 182 pp., $5.75.*

The Business of Management: Art or Craft?—A British management consultant writes on the professionalization of management and its meaning for British industry. The author discusses, among other topics, business methods, selection, human relations and training. Also included are illustrative case-histories. *By Roger Falk, Pelican Books, 3300 Clipper Mill Road, Baltimore 11, Maryland, 1961, 251 pp., 95¢.*

A Symposium of the National Labor Relations Board—The history of the National Labor Relations Board and the problems it has faced since its inception are the themes of this issue of the George Washington Law Review. Among the authors invited to present papers are Leon Keyserling, John Fanning, Stuart Rothman, and Guy Farmer. *By the editors, George Washington Law Review, The George Washington University, Washington 6, D.C., 1960, 494 pp., $4.50.*

The position guide has three basic sections. Some firms, however, add a part on "relationships" and sometimes a linear chart

What's in a Position Guide?

THE NEED for clearly defining the responsibilities of a position and its relationship to other positions is basic and obvious. What company wants to pay two men for doing the same work? What company would not be disturbed at finding that some necessary function was not being performed because the man who was supposed to be doing the work thought the responsibility belonged to someone else? Indeed, the proposition is so basic that it is stated as a "principle" of organization by many companies: "The responsibilities and authorities of each position should be clearly defined in writing."

But, if the need for defining responsibility and authority is almost universally accepted, there are a number of companies that believe that the "in writing" part of the principle is a dispensable afterthought. Many small companies feel that such a formality is quite unnecessary. As one of them explains:

> "This company is not a large one, so that a mental picture of it, organizationally, is not difficult. Close and intimate association supplies the continual guidance which is hoped for from a manual under different circumstances."

There are also larger companies with misgivings about putting executive positions into writing. Writes one: "Topside . . . there is a strong tendency to feel that putting things in print . . . might impair the chief executive's efforts to balance a whole complex of imponderables as of the moment each assignment is made." The chief executive, this company goes on to say, wishes to keep the assignment of corporate-level executives as flexible as possible because this offers "excellent possibilities for developing . . . broadly experienced managers."

Some companies feel that written descriptions foster that preoccupation with "my job" that has been criticized as one of the failings of the bureaucractic mind. Without these descriptions, says one company, "the executive does not feel that he fits rigidly into one slot and that his duties and responsibilities are encompassed wholely within the one slot. We try to encourage our people to feel free to make suggestions about any area of our business. . . ."

Nevertheless, the advantages of putting positions into writing evidently outweigh these considerations for most large companies and a substantial number of small companies. A recent Conference Board survey of 124 companies of all sizes and industrial groupings showed almost 90% using such written aids for managerial positions. Of those not using such guides, almost half are firms employing fewer than 500 people.[1]

These data suggest that once a company reaches a certain size and complexity the "mental picture" needed to run it properly becomes difficult to attain without the help of organization charts and position guides. In addition to the risks of duplicated or unmade decisions, executives may have difficulties in delegating responsibility and authority because they have no clear understanding of that which has been delegated to them. Also, viewing the situation from a slightly different vantage point, the development of "broadly experienced managers" may become a chancy business where there is no clearly outlined set of responsibilities to guide executive work and to serve as a basis for its appraisal.

Actually, what appears to bother many companies is the association of written descriptions with what some critics have described as the dangers of "overorganization"—positions so narrow in scope that they stultify the intelligence, or so overdefined that they dull the initiative. This, however, is not the result of merely writing positions down. For written descriptions are after all only one management device among many, and cannot be counted on, in themselves, either to create or to overcome the effects of poor organization or delegation.

BASIC FORMAT

The practice of putting positions into writing has existed at least since the time of F. W. Taylor and his associates. At that time a short paragraph describing principal duties was suggested. For some companies and some positions this is still the practice. For example, the president in some companies has his position described by the succinct statement: "The president is the

[1] "Developing Better Managers: An Eight-Nation Study," *A Special Study in Personnel Policy*, p. 158.

chief executive of the company and is responsible for the fulfillment of all company objectives." But, except for the positions of chairman, president, or executive vice-president, this format is rarely considered sufficient today.

Modern position descriptions, job descriptions, position specifications, or position guides, as they are most commonly called, usually spell out positions in greater detail and in many cases from different viewpoints.

The prime purpose of the position guide is to define the position clearly. But, what is "clear" to some people is not clear to others. And what might be called the managerial "style" or "climate" of a company also differs from one firm to another. Thus the formats of position guides might be expected to vary widely from company to company, and in fact do. As a matter of fact, position guides may differ from one level to another within a company.

Examples of six such variations are shown throughout this article. They are selected to show both the fairly standard elements of position guides as well as the variations.

All but one of these examples—and virtually all position guides—have at least three sections in common: a "title," statement of "basic function" and an itemized list of "duties and responsibilities."

Title

Heading up the position guide is the title of the position being described. Often included in this section is a note indicating the larger unit of which this position is a part, such as "corporate staff," "corporate development section," or "planning division." Some companies include a reference number for each description, its effective date, and/or the name and title of the approving officer.

Basic Function

Having set out the title, the second element of the guide sets out the basic function—the purpose for which the position was set up. According to one firm, intent of this section is to summarize "the rest of the position guide in a way that immediately establishes the nature and intent of the job." As another firm puts it, this section states "the broadest course of action or task pertaining to a position. This includes the objective or purpose."

Many companies spell out this section from three points of reference. One is the position's main activity—the director of research, for example, has "functional responsibility for the conduct of company research." A second is the objective or purpose of that activity—"developing new products and improving profitability of existing products." The third might be termed the "key supervisory relationships." For example, the director of research is "accountable to the president" and "supervises operation of the corporate research laboratory."

Putting these together makes it possible to come up with a statement that effectively distinguishes the position from any other in the company: "The director of research is functionally responsible for the conduct of company research for the purpose of developing new products and improving profitability of existing ones. He is accountable to the president and supervises operation of the corporate research laboratory."

Generally speaking it appears that companies attempt in this section to give a spare but adequate picture of the position—one that might stand on its own even if no other information were available.

Duties and Responsibilities

Other information, however, is also usually available in the position guide. For most companies the basic function section is no more than a point of departure for a further, more detailed spelling out of responsibilities. Many companies appear to regard this section as the "heart" or "core" of the position guide and devote the greatest space to it. In a few companies (see Position Guide 1) this section constitutes almost the entire position guide.

In most companies (see Guides 2 and 5) this section is simply an itemized listing of responsibilities, usually the more important or more general first. However, some companies (Guides 4 and 6) divide this section into a number of major responsibilities which are, in turn, subdivided into more specific duties. A variation of this approach is provided by Guide 3, in which the duties of the position are set down in terms of certain generally recognized parts of any management position: "objectives, policies, programs," "organization and personnel," "money, facilities, materials," "functional activities," "appraisal of results," and "advisory and special."

Although systems for listing responsibilities vary, few firms attempt to list them all. One company, for example, counsels its executives "to stake out (in this section) the boundaries between jobs." Another suggests that while the full range of responsibilities of the position should be covered, only those specific duties should be included that are characteristic and outstanding. This firm adds that those duties of an everyday or routine nature, or those to be expected in the conduct of any similar position, should be omitted. Companies sometimes remind incumbents that not everything has

1. Chief of Research Section

The manager of a division research department delegates to each chief of a research section the following general responsibility with respect to the products, materials, or objects of research assigned to him:

1. To propose programs for research and development.
2. Within the scope of authorized programs, to make such researches as may be necessary and incidental to the development of new products and processes, and improvements in products and processes.
3. For the purpose of the foregoing duty, to propose the procurement of appropriate laboratory and semiworks equipment.
4. To operate laboratory, semiworks equipment, and pilot plants for purposes of experimental production of process materials and finished products.
5. To record such data concerning production on such equipment as will aid in defining the operating characteristics of plant equipment.
6. To make such tests as may be necessary to determine the acceptability of processes, process materials, and products.
7. To record and report upon formulae, composition, processes, and other data required to set the standard of quality of products.
8. To record and report upon the progress and outcome of tests and experiments affecting the objects of research.
9. To pursue such other studies and duties in this field as the manager of a division research department may direct.

been included in the position guide. For example, paragraph 3 introducing the "responsibilities and authorities" section of Guide 3 includes the caution: "His specific responsibilities include, but are not necessarily limited to, the following . . ."

It is not always easy to set down clearly and accurately what is distinctive in a position. To this end many companies try to standardize, to some extent, the language and style of their itemized statements of responsibility.

Possibly the most widespread stylistic device is that which begins each item in the section with an action verb (Guides 3, 4, 5, 6) or with the word "To" followed by an action verb (Guide 2).

To give the more typically used action verbs—like supervise, coordinate or establish—a specific meaning, standard organization nomenclature is often included in the corporate organization manual.[1]

Another device for improving clarity is to include where necessary "information as to why things are done" within the statement of responsibility, i.e., "To conduct economic analyses *in order to* discern industrial and geographic areas which seem to offer growth and stability . . ." [italics ours]

As has been noted, many companies attempt to restrict the "responsibilities" section of the position guide to an itemization of such duties as are peculiar to the position. Necessarily omitted are responsibilities and authorities which are common to more than one position. For example, the corporate executives in a given company may all be responsible for the effective organization of their departments. Or the division managers may all be responsible for profitable operations of their respective divisions. Companies may wish to emphasize these responsibilities without diluting the simplicity and clarity of the position guide. This is where a separate device known as the statement of common responsibility comes in.

These statements—which look very often like the "duties and responsibilities" section of the position guide—pull together and highlight information which the company feels is important. Most typically, companies use this device to spell out the over-all responsibilities of certain levels of management. But it has also been used to set off the common responsibilities of such groups as staff, line, division and corporate staff officers as well.

Authority

Responsibility and authority have sometimes been referred to as opposite sides of the same coin. One does not exist without the other. As one company puts it:

> "It is not possible to charge an individual with responsibility and at the same time deprive him of authority to enforce his decision in connection with the fulfillment of the responsibility."

For this reason many companies lump responsibilities and authorities into one section. Indeed, because they feel that responsibility necessarily implies authority, many companies simply title their itemized list of responsibilities "responsibilities and authorities." Some, however, make a sharp distinction between the two; responsibilities being listed in one section and authority dealt with in another.

In preparing position guides, companies deal with "authority" in a number of different ways. Many make a very general statement of the broad authority of a position in the basic function section. A few companies offer slightly more detailed discussions in short paragraphs entitled "authority."

[1] See "Preparing the Company Organization Manual," *Studies in Personnel Policy*, No. 157, pp. 42, 43 for examples of company use of standard nomenclature.

"As a staff member of management, the administrative assistant to the president will exercise no direct authority over divisional operations or corporate personnel except that delegated to him by the president to execute specific assignments; and that degree of discretion and authority needed to carry out the functions of his position."

This same company also uses another format. For the executive vice-president as well as for other positions authority is discussed in terms of powers "reserved to" and "reserved from" the position:

"A. *Reserved to the Executive Vice-President*—To properly relieve the president of the press of administrative duties and to maintain the operating control vested in the position of executive vice-president, he will exercise direct decision over the following operating matters:

"1. The execution of previously determined corporate policies,

"2. Approval of requests for capital expenditures and operating and development expenses within the limits specified,

"3. Compensation of personnel within specified limits.

"B. *Reserved from the Executive Vice-President*—The executive vice-president may not exercise final decision over the following divisional matters. They are, rather, to be recommended by him to the president for approval:

"1. The establishment of new corporate policy,

"2. The determination or modification of the broad product scope or product mix of the operating divisions,

"3. The establishment or modification of basic organization structure and compensation ranges and levels."

The authority of a position is defined in some companies by setting its limits. One example of such a method is that found in Guide 3 and titled "limits of authority." It might be noted that this section is not meant to stand alone but is designed to be used along with the "basic function" and "responsibilities and authorities" sections.

THE EXPANDED FORMAT

These three sections—title, basic function and the combined responsibilities sections—might be said to satisfy the principle of organization mentioned earlier

2. Manager-Corporate Development Section

GENERAL RESPONSIBILITIES

Directs general staff activities in commercial and operations research, long-range planning and study of economic and business problems.

REPORTS TO

President

PRIMARY DUTIES

1. To serve the president and other executives through the study of economic problems as related to the economy in general and the company in particular.
2. To conduct economic analyses in order to discern industrial and geographic areas which seem to offer growth and stability, to identify products of the types the company makes or could manufacture, which are needed in these areas; to compare capacity with requirements for these products and indicate the optimum directions for company growth and expansion.
3. To analyze the economics of steel making both in the firm and the industry in order to determine significant factors influencing costs and profitability as a guide to company development.
4. To coordinate the services of economic consultants and assist in interpreting general economic series movements with recommendations about their effect upon company business.
5. To coordinate effort and assemble recommendations on the basis of which a comprehensive long-range company plan may be evolved. This plan, subject to the approval of the president and other executives, will consider products and markets, production and production facilities, work forces, research, financing and profits. Planning will be contributed by those best qualified in the various areas of company activity.
6. To continually review this long-range plan and coordinate inflow of information so that necessary changes may be made at regular intervals. This includes efficient communication of plans to guide appropriate members of management, and the measurement and communication of company progress in implementing these plans.
7. To aid product and field sales management in short and long-range sales planning by furnishing information on the economy in general; and, to advise Sales through provision of appropriate information on particular industries, areas and market potentials.
8. To review company targets with respect to long-range opportunities and goals and to relate these targets to the long-range company plan.
9. To study the application of mathematics to the solution of business problems.

KEY ORGANIZATIONAL RELATIONSHIPS

1. President—To serve the president in the investigation of assigned problems.
2. Vice-presidents—To advise and assist in appropriate areas of their departmental plans, programs and activities through the application of economic and business analyses.
3. Key company management—To assist and coordinate efforts of planning and execution of plans to meet long-range company objectives. To coordinate activities designed to analyze company problems and opportunities.

3. Director—Public Relations

I. FUNCTION

The director—public relations advises and assists the chairman of the board and the president in the formulation and execution of corporate public relations philosophy, policy, and programs; directs corporate public relations activities; and provides counsel and assistance to department heads on public relations. He performs these functions with the objective of maximizing the contribution of these activities to the over-all profitability of the company, and to further its other purposes.

He assists in formulating general management objectives, policies, and plans and advises on public relations activities.

II. RESPONSIBILITIES AND AUTHORITIES

The director—public relations is responsible for the activities assigned to him and has authority to conduct these activities in accordance with approved general objectives, policies, and budgets, and within the limits established by this guide.

He may delegate appropriate portions of his responsibilities together with the authority necessary for their fulfillment, but he may not relinquish his accountability for results.

His specific responsibilities include, but are not necessarily limited to, the following:

Objectives, Policies, Programs

1. Assists in the formulation of general management objectives, policies, and plans, and advises the chairman of the board and the president with respect to his various functional activities.

2. Formulates or receives and recommends for approval objectives, policies, and plans pertaining to his functions which may affect other departments of the company.

3. Develops and recommends to the chairman of the board objectives, policies, and plans for public relations activities.

4. Within the framework of approved company and departmental general objectives, policies, plans, and budgets, establishes and administers departmental specific objectives, policies, and plans to accomplish his functions.

Organization and Personnel

5. Approves changes in pay of his staff, including determination of severance pay.

6. Approves, for his staff, vacations and personal leaves of absence for reasons other than sickness and accident.

7. Approves the employment, promotion, demotion, transfer, release, layoff, and discharge of personnel on his staff excluding officers of the company or participants in the incentive compensation plan.

8. Administers the company's employee relations policies and benefit plans for his staff.

9. Engages such consultants as are necessary to accomplish his functions.

Money, Facilities, Materials

10. Prepares and submits to the board of directors proposed budgets for the firm's public relations activities.

11. Approves capital expenditures for items included in approved budgets and administers expenditures in his office.

12. Prepares and submits to the contributions committee of the board budget proposals for corporate contributions, memberships, and grants.

13. Determines specifications, including manufacturer, and approves contracts or purchase requisitions for materials, supplies, equipment, and services required to execute his assigned responsibilities. The selection of the supplier and the execution of the purchase agreements for such items shall be the responsibility of the manager, supply and distribution, who may delegate to the director, public relations, specific authority for certain purchases.

14. Approves other individual transactions and requests for payment in the usual course of business.

Functional Activities

15. Directs public relations activities at the corporate level, and coordinates the execution of company public relations programs through other departments when necessary.

16. Advises and assists senior vice-presidents and department heads on departmental public relations and community relations, plans and activities.

17. Directs the company's participation in industry public relations programs and activities.

18. Coordinates the company's news releases involving policy and public relations matters to the press and other news media and serves as the company's liaison with outside publicity agents.

19. Receives and processes requests for corporate contributions, memberships, and grants.

20. Approves for his unit contributions, memberships, and grants to charitable and business service organizations.

Appraisal of Results

21. Reviews periodically with the chairman of the board the results of the company's public relations programs and activities.

Advisory and Special

22. Serves on advisory committees, task forces, and special assignments as requested by the chairman of the board or the president.

III. RELATIONSHIPS

The primary reporting responsibility of the director—public relations is to the chairman of the board to whom he is accountable for the operating results of his function. In carrying out his function and fulfilling his responsibilities, the director, public relations, will consult and cooperate with other department heads and the senior vice-presidents whenever their functions, responsibilities, or interests are involved. He will make the most effective use of the specialized advice and assistance available in the company outside his unit. He will offer the knowledge, experience,

and services available within his unit to others whenever company results would thereby be improved.

V. LIMITS OF AUTHORITY

The chairman of the board has established the following limits of authority for certain of the activities of the director, public relations.

Personnel Limits

With respect to personnel of his unit, the director, public relations, has the authority to:

1. Approve regular compensation of employees receiving less than $15,000 annually, but excluding company officers or participants in the incentive compensation plan.
2. Approve severance pay to any released employee whose regular annual compensation is less than $15,000 in accordance with the severance pay policy dated September 30, 1957.
3. Grant leaves of absence (for reasons other than sickness or accident) to employees in accordance with the employee relations policy and procedure manual.
4. Employ, release, promote, demote, transfer, lay off, or discharge any employee whose regular annual compensation is less than $15,000 but excluding officers of the company or participants in the incentive compensation plan.
5. Approve all personnel actions provided under the conditions and limits of authority stipulated in the various benefit plans of the company.
6. Engage and approve compensation for individual outside consultants retained on an annual basis and receiving less than $15,000 annually.

Financial Limits

With respect to his unit, the director, public relations, has authority to:

7. Approve individual capital AFE's within the approved annual budget in the amount of $5,000 or less.
8. Approve individual contracts or purchase requisitions covering materials, supplies, equipment, and services in the amount of $5,000 or less.
9. Approve other individual transactions and requests for payments in the usual course of business in the amount of $5,000 or less.

Solicitations

10. Approve requests for the support of outside organizations in accordance with the policy for company support of outside organizations through contributions, memberships, and grants, the plan for fellowships, and grants to educational institutions for direct business purposes dated July 25, 1955, and the plan for scholarships for direct business purposes dated August 5, 1958.

covering definition of authority and responsibility. This "stripped-down" position guide is, in fact, the shortest format commonly used by companies for executive positions.

Relationships

But no position or job in an organization exists in isolation from others. By definition, managerial and executive personnel accomplish their responsibilities through other people. Many companies therefore feel a position is not fully defined unless the guide also spells out the more important relationships involved in fulfilling responsibilities. So, most position guides also contain a section labelled "relationships," which, without unnecessary detail, defines those relationships which are essential to the fulfillment of the basic function of the position, and which distinguish it from any other (Guide 3). Most position guides at least spell out the supervisory relationships—that is, who reports to the incumbent and to whom he reports. So important are these supervisory relationships considered that many companies insert them at the front of the position guide (Guides 2, 4). According to another view, supervisory relationships should be listed first in the "relationships" section (Guide 3), and possibly emphasized further by insertion in the statement of "basic function."

Other relationships outside the chain of command are also discussed in relationship sections. Relationships in which the incumbent "cooperates" with other executives, where he "consults" or is consulted by other members of management, or where as a staff officer he exercises "functional guidance" over the activities of line officers within the bounds of his specialization are usually listed (Guide 3). Many companies list relationships external as well as internal to the company (Guide 5).

Linear Chart

Some companies are not content with such simple descriptions of relationships, possibly because they tend to be somewhat abstract. To give a more concrete picture of the web of relationships surrounding each executive function, these companies supplement the position guide with a linear chart. (See page 34.) As opposed to the usual pyramidal organization chart composed of lines and boxes, the linear chart is essentially a grid in which basic areas of activity are charted along the sides, various positions are listed along the top, and various coded symbols fill the boxes. The symbols in each box of the grid note the particular responsibility of a position in a particular functional area.

By reading horizontally along the chart it is possible to get a quick picture of all the positions involved in a

Sample Linear Chart Used to Supplement the Guide

	BOARD	PRESIDENT	VICE PRES. MARKETING – ADVERTISING	VICE PRES. ENGINEERING R & D	VICE PRES. FINANCE	DIR. OF MFG.	SECRETARY TREASURER	VICE PRES. FOREIGN OPERATIONS
Establish Basic Policies & Objectives	2	1	3	3	3	3	3	3
Direct Operations, Control and Planning Functions	2	1	4	4	4	4	4	4
Fix Relationships Between Central Office and Operating Divisions	2	1	3	3	3	3	3	3
Control Expansion – Merger – Acquisition Plans	2	1	3	3	3	3	3	3
Administer Merger – Acquisition Operations		2	1	3	3	3	3	3
Establish Marketing Policies & Procedures		2	1		4			4
Co-ordinate Sales Fore-casts & Projections	5	2	1		5			3
Co-ordinate Advertising Plans	5	5	1					4
Co-ordinate Engineering, Research and Development	5	2	3	1	4	4		4
Co-ordinate New Product Programs		2	3	1	4	3		4
Administer Research and Developement Center		3		1				
Establish Accounting Policies and Procedures		2			1			
Administer Financing, Borrowing, Equity	2	2			1		3	
Co-ordinate Budgets	5	2	3	4	1	3		
Administer Legal and Tax Matters		2			1			
Utilization of Manufacturing Facilities		3				1		
Co-ordinate Training and Safety Programs		2	1			1		
Co-ordinate and Administer Capital Expenditures	2	2	4	4	3	1	3	
Administer Insurance Plans & Stockholder Relations		2			4		1	
Co-ordinate Foreign and Export Operations		2	4	4				1

CODE

1 ACTUAL RESPONSIBILITY
2 GENERAL SUPERVISION
3 MUST BE CONSULTED
4 MAY BE CONSULTED
5 MUST BE NOTIFIED

ıarticular area of decision making. Reading down the :hart it is possible to summarize rapidly a position's alient responsibilities.

The linear chart has two obvious advantages over he position guide: it makes it possible to compare uickly the responsibilities and authorities of various ›ositions and it makes it possible to determine quickly ıll the positions which must be brought in on the making of a particular decision or on the formulation and mplementation of a program.

Obviously, in some respects, linear charts simply luplicate the position guide in summarized form. Some ompanies and management consultants feel that, with nore complex coding, the linear chart can replace posiion guides and organization charts entirely. Some loubts have been voiced in this regard. These people eel that while the linear format is excellent at portrayng relationships, it fails to give the quick, over-all icture of the organization offered by the organization chart. Also it gives a less complete picture of the individual position than does the position guide.

USES OF THE GUIDE

Earlier in this article it was mentioned that a main reason why companies use position guides is to give the incumbent a clear idea of what is expected of him. Actually there are other, possibly more significant, purposes as well. For written statements of the responsibilities and authorities of a position lend themselves to a variety of other uses besides communication.

Companies, for example, may use position guides for:

- *Organization Planning:* as a continuous audit of how work is formulated, activities grouped, and authority and responsibility delegated in the organization.
- *Manpower Planning:* as a basis for audits of manpower utilization and needs in the organization.
- *Recruiting:* as a guide in hiring new employees.

4. Research Economist

'olume Title Corporate Organization	*Chapter Title* Organization
'ection Title Planning Division	*Territory Used* Position Description

EPORTS TO

Assistant, Economics Research

UPERVISES

Analyst, Economics Research

ASIC FUNCTION

Responsible for aiding the assistant, economic research, ı the development, processing, and evaluation of economic ata for special studies and for the preparation of long- and ıort-range forecasts.

RIMARY RESPONSIBILITIES

1. Assists in analyzing economic and business trends ıd interpreting their effects on company operations.
2. Contributes to the development of short-range forests of economic and business trends as required: (a) for erational guidance and (b) for profit planning activities.
3. Develops long-range forecasts of selected economic ries as assigned: (a) for individual line and staff studies d (b) for coordinated long-range planning activities.
4. Assists in the development of appropriate reports, arts, and other means of presentation which will assure oper dissemination of economic data affecting the operans or planning activities of the company.
5. Programs and conducts special research studies, delops market information, or supplies appropriate data.
6. Assists in reviewing the flow of economic publications from industrial, educational, consulting, and government sources.
   a. Examines and evaluates individual sources and renders opinions as to accuracy and completeness.
   b. Suggests additions to departmental library source material as required.
7. Reviews and/or develops economic data disseminated by the company as required by assignment.
   a. Economic material for publications and speeches.
   b. Economic data supplied to government agencies.

INTERNAL RELATIONSHIPS

Line and staff division and department managers—As required in the derivation and dissemination of economic data for studies and guidance and planning activities.

Manager, profit planning—To provide short-term economic data as required.

EXTERNAL RELATIONSHIPS

Civic research and discussion groups
Research organizations
Industry, trade, and industrial management associations
Local, state, and government fact-finding agencies—To attend meetings, seminars, conferences, and otherwise keep informed of economic trends, research activities; and new data development. To receive long-range forecasts and exchange appropriate information.

• *Wage and Salary Administration:* as a basis for the job evaluation process.

• *Management Development:* as a guide for developing patterns of position or job rotation.

• *Work Appraisal:* as a standard against which to evaluate individual performance.

Companies often modify position guides to fit the various uses to which they will be put.

In Appraising

To enhance its use in management development and appraisal, for example, some companies include a statement of goals or "results expected" in their position guides (Guide 6). This section does not replace in any way the itemization of duties and responsibilities. Its purpose is, instead, to shift "the emphasis from performing activities to achieving results." Indeed one company looks on it as a part of their program of management by objectives. One company points out that it is intended to answer the questions:

"For what results is he (the incumbent) *accountable?* What results do we expect to be generated by the activities and responsibilities previously described? What do we expect him, personally, to audit and follow up? This is the '*pay-off*' section which defines the job goals [italics theirs]."

As may be noted in Guide 6, this section includes both ideal targets, which are to be aimed at though possibly never actually to be reached, as well as goals which "are tangible and more readily attained and measured." Thus, while companies may feel that a "results expected" section is important for guiding a position incumbent in his work, they feel that it also lends itself to work appraisal.

The twin themes of guidance and appraisal are a feature of all sections of this type, although the approach may be more general. For example, one company states as one of its standards for measuring the performance of its executive vice-president: "The quality, quantity, timeliness and continuity of the guidance and assistance rendered to the operating groups by the executive vice-president." Another describes the "method of measurement" of a plant-level finance depart-

5. Manager, Advertising and Sales Promotion

REPORTS TO

Vice President

DIVISION

Marketing

DEPARTMENT

Advertising and Sales Promotion

GENERAL RESPONSIBILITY

Directs the advertising and sales promotion of corporate products; develops and establishes advertising and sales promotion programs; supervises the departmental personnel.

SPECIFIC DUTIES

1. Responsible for developing the over-all advertising and sales promotion budgets for the director's approval; puts into effect the established budgets for economical and practical operations.
2. Initiates and develops advertising and sales promotion corporate programs for the director's approval.
3. Directs the established sales promotion programs including direct mail, visual displays, conventions, promotional materials and items to consumers, etc.
4. Directs the established advertising programs including magazine, television, radio, publications, etc.
5. Responsible for the interpretation of programs to the assigned advertising agencies for fulfillment of the approved programs; assists in determining advertising agency for conducting programs to completion; follows up for contractual obligations.
6. Coordinates the development and design of new packaging, trademarks and catalogues with the director of public relations and others.
7. Responsible for the development and training of sales promotion and advertising personnel in the department.
8. Responsible for the hiring, termination and promotional activity of subordinates within the department.
9. Represents the corporation as required in advertising associations, committees and/or societies.

QUALIFICATIONS

Promotion from: From advertising and sales promotion, supervisor—five to ten years. Must have diversified experience in the field.

Education Required: B.S. degree—Business major preferred.

Judgment and Leadership Demanded: Good judgment and leadership abilities essential in developing, coordinating and implementing advertising and sales promotion plans.

Specific Knowledge Required: Requires professional abilities and ethics of a thoroughly qualified advertising and sales promotion executive.

Relationships with Others: Develops advertising and sales promotion programs for all divisions of the corporation. Maintains liaison with the divisions. Directs contact with agencies and others outside the company.

Normal Promotional Progression: To vice-president, marketing.

6. Technical Superintendent

URPOSE OF POSITION

To provide effective professional knowledge and judg-ient to mill management regarding quality control and ocess and product development, and to manage the chnical department.

NIT FUNCTIONS

uality Standards, Specifications and Procedures

1. Reviews all new product standards and recommends ceptance, modification or rejection of them before they e established for mill use. Develops and recommends new oduct standards as required.

2. Develops and recommends mill manufacturing speci-cations. Instructs operating management in their meaning id use. Develops and recommends operating procedures, required, to conform to the mill manufacturing specifi-itions and product standards.

3. Reviews all new corporate standards for raw mate-als and finishing supplies. Interprets them for mill man-gement and advises them of significance of changes. De-lops and recommends changes in these standards.

4. Maintains a master file of all current product stand-ds, mill manufacturing specifications and related data.

uality Control Inspections, Tests and Procedures

1. Services all new corporate standards and instructions garding quality control inspections, test equipment and ocedures. Advises mill management in their use.

2. Develops and recommends inspections and tests of iished products, in-process products, raw materials and iishing supplies to determine conformance to established ecifications. Recommends precision of tests. Develops ocedures for measuring, interpreting, and reporting re-lts of tests and inspections.

3. Provides the service of training mill testers in the ocedures for inspecting and testing.

4. Develops and operates independent check-testing stems to determine the accuracy of mill testing perform-ice and of mill testing equipment.

5. Provides all testing stations and testing workplaces ith the prescribed testing equipment. Provides the service calibrating and maintaining this testing equipment.

6. Provides a service of conducting inspections and tests hich require technical training or equipment not available the inspectors or testers in the other departments.

ouble-shooting of Process Problems

1. Continually audits the process and product for con-rmance to established specifications.

2. Receives requests for studies. Provides professional chnical services for problem analysis. Critically analyzes factors which would influence the process, materials or oduct. Conducts studies, develops trials or otherwise commends corrective action.

3. Assists as requested in the related operator training corrective action taken.

4. Provides a service of statistical analysis of product and process variations. Instructs mill management in the use and meaning of these analyses.

Development of Process and Products

1. Systematically audits the processes and products to discover and recommend improvements, such as ways and means to reduce product variability, to reduce amount of defective materials, to improve product performance, and to improve efficiencies of operation.

2. Provides the necessary operating specifications and procedures for conducting authorized trials and for obtaining the required data. Audits the trials, evaluates results, and recommends action to be taken.

3. Recommends the selection, installation, maintenance and use of process control instruments. Recommends operating procedures for most effective use of these instruments.

Stream Pollution Abatement

1. Develops the mill program and procedures for conforming to state and local pollution control standards and corporate requirements.

2. Provides the service of measuring the mill effluent and interpreting its effects upon the local streams. (Undesirable chemical reactions, stream pollution, etc.)

3. Represents the mill or corporation as requested with state or local agencies regarding the mill's pollution abatement activities.

RESULTS EXPECTED

1. No substandard products to customers.
   a. Realistic standards and specifications.
   b. Effective sampling and inspection systems.
   c. Effective testing equipment and procedures.
   d. Well-qualified testers using standard procedures.
   e. An understanding by mill management of the significance of quality control tests and test data.
2. Few major quality problems remaining unsolved.
   a. Effective process control knowledge, equipment and procedures available and in use in the mill.
   b. Quick and accurate diagnosis of quality problems.
   c. Persistent follow-up of major corrective action.
3. Variability reduced, rate of operation increased.
   a. Systematic and comprehensive audits of processes.
   b. Trials to test cost and practicality of new ideas.
   c. Improvements evaluated, recommended, programed and budgeted.
4. Products developed and improved as required.
   a. Realistic trial specifications and procedures.
   b. Systematic audits and reports of trial runs.
   c. A climate within the technical department which stimulates new ideas and new approaches.
5. State and local pollution control standards met.
   a. Mill effluent regularly measured and reported.
   b. Need for corrective action known in time to do so on a planned basis.
   c. Corrective programs ready as required.

ment manager as: "Level of department operating expense, promptness and accuracy of reports and statements, economical use of purchase discounts and general satisfaction with department operation will be measurements of the performance of these duties."

For Recruiting

Another section sometimes added to make the position guide better fitted for recruitment purposes is a "qualifications" section (Guide 5). Some companies feel that the usual functions, responsibilities, relationships format does not adequately define a position because it neglects the desired personal qualities of the incumbent, as well as the place of the position in the normal structure of promotion within the company. Though these considerations may have most relevance when the position guide is used for recruiting of personnel for the position, many companies consider them equally valid for "guiding" an incumbent in his conception and arrangement of work.

IMPROVING THE GUIDE

These modifications for appraisal and recruiting purposes are just examples of the attempts made to improve position guides. Other attempts are constantly being made. A recent experimental approach that has attracted the attention of some Conference Board Associates is what might be termed the "dimensions" approach.[1] This is an attempt to provide numerica measuring sticks for defining supervisory and executive positions. It goes beyond the usual position guide's description of formal responsibilities to deal also wit such things as demands on personal conduct or freedom that particular positions may entail and the promotion prospects of a particular position.

To define a position, the incumbent fills out a questionnaire composed of general and specific statements about his position. After each of these statements he fills in a number which indicates the degree to which the statement applies to his position. From his answer the position is rated in terms of how much it is involved in: supplying of staff service, supervision of work, application of business controls, technical concerns with products and markets, concern with human, community and social affairs, involvement with long-range planning, exercise of broad power and authority, concern with the reputation of the business, personal demands of the job, and concern with preservation of corporate assets. The addition of these data to the position guide is intended to improve job evaluation, work appraisa and rotation programs.

Allen R. Janger
Division of Personnel Administratio

[1] A fuller account may be found in: John K. Hemphill, "Dimensions of Executive Positions," Research Monograph Number 98, Bureau of Business Research, The Ohio State University, Columbus, Ohio, 1960.

Management Bookshelf

Readings in Policy and Practice for International Business—A selection of articles that have appeared over the past few years in one of the leading trade journals serving the international trade community. Designed primarily to supplement a college course in marketing, the compilation focuses on a variety of subject matter and illustrative detail rather than on organized discussion of policy and operating problems. *Edited by Edwin F. Wigglesworth, associate professor of marketing, Graduate School of Business Administration, New York University. Thomas Ashwell & Company, 20 Vesey Street, New York 7, New York, 1961, paper bound, 380 pages. $10.*

Cases in Financial Management—This collection of over fifty cases in financial management is intended for the use of advanced students of business finance. It is designed to illustrate the application of financial management principles. The book is divided into seven parts: the capitalization plan, cost of capital, capital budgeting and return on investment, operating finance, stockholder and other interests, merger valuation and special problems, and capitalization aspects of reorganization. A set of actuaria tables is also included. *By Robert L. Masson, Pearson Hunt and Robert N. Anthony. Richard D. Irwin, Inc., Homewood, Illinois, 1960, 720 pages. $12.00.*

Accounting and Business Fluctuations—The author discusses influence of accounting methods on business cycles. Differences between accounting and "economic" income, inventory valuation methods, depreciation policy and investment decisions, dividend policy, wages, and pricing policies are examined to see how they contribute to business fluctuations. A bibliography is included. *By Delmas D Ray. University of Florida Press, Gainesville, Florida 1960, 184 pages. $6.50.*

American Marketing—A beginning text on marketing, with review questions, discussion topics, problems, and suggested readings following each chapter. *By William Schultz. Wadsworth Publishing Company, 431 Clay Street San Francisco, California, 1961, 655 pages. $7.95.*

Significant Labor Statistics

Item	Unit	1961 July	June	May	April	March	1960 Feb.	Jan.	Year Ago	Percentage Change: Latest Month over Previous Month	Percentage Change: Latest Month over Year Ago
mer Price Index (BLS)											
Items	1947–1949=100	128.1	127.6	127.4	127.5	127.5	127.5	127.4	126.6	+0.4	+1.2
ood	1947–1949=100	122.0	120.9	120.7	121.2	121.2	121.4	121.3	120.6	+0.9	+1.2
ousing	1947–1949=100	132.4	132.4	132.2	132.3	132.5	132.4	132.3	131.3	0	+0.8
pparel	1947–1949=100	109.9	109.6	109.6	109.5	109.8	109.6	109.4	109.1	+0.3	+0.7
ransportation	1947–1949=100	148.3	147.7	146.6	145.8	145.7	146.2	146.2	145.9	+0.4	+1.6
edical Care	1947–1949=100	161.2	160.9	160.4	159.9	159.6	159.4	158.5	156.4	+0.2	+3.1
ersonal Care	1947–1949=100	134.3	133.9	133.8	133.8	133.6	133.8	133.7	133.4	+0.3	+0.7
eading and Recreation	1947–1949=100	124.1	123.5	123.9	124.1	123.4	122.7	122.2	121.6	+0.5	+2.1
ther Goods and Services	1947–1949=100	133.6	133.1	133.1	132.6	132.6	132.6	132.6	132.2	+0.4	+1.1
yment Status (Census)											
ilian labor force	thousands	73,639	74,286	71,546	70,696	71,011	70,360	69,837	72,706	−0.9	+1.3
mployed	thousands	68,499	68,706	66,778	65,734	65,516	64,655	64,452	68,689	−0.3	−0.3
griculture	thousands	6,453	6,671	5,544	5,000	4,977	4,708	4,634	6,885	−3.3	−6.3
onagricultural industries	thousands	62,046	62,035	61,234	60,734	60,539	59,947	59,818	61,805	A	+0.4
nemployed	thousands	5,140	5,580	4,768	4,962	5,495	5,705	5,385	4,017	−7.9	+28.0
Earners (BLS)											
ployees in nonagricultural establishments, total	thousands	p 53,198	53 367	r 52,645	r 52,073	51,621	51,314	51,661	53,184	−0.3	A
ployees in nonagricultural establishments, without Alaska & Hawaii[1]	thousands	p 52,937	53,116	r 52,407	r 51,843	51,397	51,090	51,437	52,923	−0.3	A
anufacturing	thousands	p 15,948	15,975	r 15,726	r 15,536	15,497	15,473	15,580	16,250	−0.2	−1.9
ining	thousands	p 632	638	r 630	623	622	620	629	655	−0.9	−3.5
onstruction	thousands	p 3,131	3,035	r 2,799	r 2,617	2,414	2,264	2,385	3,098	+3.2	+1.1
ransportation and public utilities	thousands	p 3,833	3,816	r 3,773	r 3,756	3,749	3,759	3,763	3,939	+0.4	−2.7
rade	thousands	p 11,535	11,559	r 11,446	r 11,389	11,337	11,279	11,464	11,592	−0.2	−0.5
inance	thousands	p 2,586	2,554	2,528	r 2,520	2,507	2,494	2,490	2,530	+1.3	+2.2
ervice	thousands	p 6,775	6,793	r 6,753	6,679	6,566	6,527	6,518	6,715	−0.3	+0.9
overnment	thousands	p 8,497	8,746	8 752	r 8,723	8,705	8,674	8,608	8,145	−2.8	+4.3
duction and related workers in mfg. employment											
ll manufacturing	thousands	p 11,828	11,866	r 11,643	r 11,463	11,418	11,395	11,502	12,145	−0.3	−2.6
Durable	thousands	p 6,661	6.710	r 6,595	6,429	6,363	6,359	6,456	6,888	−0.7	−3.3
Nondurable	thousands	p 5,167	5,156	r 5,048	r 5,034	5,055	5,036	5,046	5,257	+0.2	−1.7
rage weekly hours											
ll manufacturing	number	p 40.0	40.1	r 39.7	39.3	39.1	38.9	38.8	39.8	−0.3	+0.5
Durable	number	p 40.4	40.6	r 40.2	39.9	39.5	39.3	39.2	40.0	−0.5	+1.0
Nondurable	number	p 39.4	39.4	r 39.0	38.7	38.7	38.4	38.4	39.5	0	−0.3
rage hourly earnings											
ll manufacturing	dollars	p 2.35	2.35	2.34	2.33	2.32	2.31	2.32	2.29	0	+2.6
Durable	dollars	p 2.51	2.51	2.50	2.49	2.47	2.47	2.47	2.44	0	+2.9
Nondurable	dollars	p 2.14	2.13	2.13	2.13	2.12	2.11	2.12	2.09	+0.5	+2.4
rage weekly earnings											
ll manufacturing	dollars	p 94.00	94.24	r 92.90	91.57	90.71	89.86	90.02	91.14	−0.3	+3.1
Durable	dollars	p 101.40	101.91	r 100.50	99.35	97.57	97.07	96.82	97.60	−0.5	+3.9
Nondurable	dollars	p 84.32	83.92	r 83.07	82.43	82.04	81.02	81.41	82.56	+0.5	+2.1
aight time hourly earnings (estimated)											
ll manufacturing	dollars	p 2.29	2.28	r 2.28	2.28	2.27	2.26	2.28	2.23	+0.4	+2.7
Durable	dollars	p 2.43	2.43	2.43	2.43	2.41	2.42	2.42	2.37	0	+2.5
Nondurable	dollars	p 2.09	2.08	2.09	2.09	2.08	2.08	2.07	2.04	+0.5	+2.5
ver Rates in Manufacturing (BLS)											
arations	per 100 employees	p 3.1	r 2.9	r 2.8	2.8	3.4	3.6	4.3	3.6	+6.9	−13.9
uits	per 100 employees	p 0.9	1.0	0.8	0.8	0.7	0.6	0.7	1.1	−10.0	−18.2
ayoffs	per 100 employees	p 1.7	r 1.3	r 1.4	1.5	2.2	2.5	3.0	2.0	+30.8	−15.0
essions	per 100 employees	p 3.1	r 4.2	r 3.7	3.4	3.3	2.7	3.1	2.9	−26.2	+6.9

[1] ollowing eight industries also exclude Alaska and Hawaii. *p* Preliminary. *r* Revised. A Less than .05%

Briefs on

PERSONNEL PRACTICES

Labor-Management Effort Helps Unemployed

Recently, when a reduction in the work load made it necessary to lay off about 400 of the nearly 16,000 workers at Sperry Gyroscope Company, management officials teamed up with union representatives in a combined effort to help the employees who were scheduled to leave. Together, they took steps to insure that each employee had exercised the rights to which his seniority entitled him. Then they informed a large number of companies in the metropolitan area of New York City of the layoff and invited these companies to send representatives to conduct on-the-job interviews. Some of them did so; others asked that the laid-off employees apply directly to their employment offices. As a result, a substantial number of workers received job offers.

Safety in Colors

The hard plastic safety hats worn at General Foods' Birds Eye plant in Woodburn, Oregon, serve a double purpose. They not only offer protection but also, by means of varied colors, identify the types of work done. When a maintenance man is needed, he can be spotted by his bright yellow safety hat. Orange hats identify production personnel. The plant manager's staff wear gray hats. And the hats of sanitation men are, of course, white.

Workshop for School Counselors

By hiring high school students as part-time workers, the Bell Telephone Companies were often able to get the jump on other employers in the competitive labor market. But the companies found, as the practice was extended, that many high school guidance counselors were left with the impression that the job of telephone operator did not provide high school graduates with as much opportunity for advancement as other jobs which they classified as "clerical."

To dispel this impression, Bell companies at several locations are conducting a workshop program for high school counselors. Under the program, the counselors are offered employment for a period of six to eight weeks during the summer. For the first four to five weeks, they are trained and work as switchboard operators. Then, teamed in pairs, they spend the remaining time assessing work operations and discussing other facets of the business with people in other departments.

Such a program works to the advantage of the participating counselors by giving them a practical and profitable experience in the business world. As their comments show, however, it also gives them a new understanding of and respect for the job of telephone operator. Many say, for example, they had no idea the job is so interesting. Others add that they were surprised to learn that the company not only encourages operators to go to college but actually helps them pay their way by permitting them to continue as part-timers. These reactions, of course, are to the company's advantage since they tend to make the counselors more selective in choosing the high school graduates they refer for the job of telephone operator.

No-Discrimination Policy Gets Active Support of Top Management

Many companies have a policy against discrimination in employment; no person is to be refused a job because of race, color, or religion. Indeed, some twenty-five states have fair employment practice legislation on the books.

But one company at least—Owens-Illinois—feels that just to have such a policy in itself is not sufficient. It must be implemented. For this company had discovered that very few of some minority groups apply for positions, particularly at downtown offices, unless they are encouraged specifically to do so.

To explore how such encouragement might be provided, the personnel directors of the four Toledo units of the company recently invited the state official concerned with fair employment practices to attend their regular monthly meeting. His advice was asked on ways of making established company policy truly effective.

After the meeting, the personnel directors decided a mpany letter should be sent to all local employment encies. The letter, signed by the vice-president, pernnel administration of Owens-Illinois, assured the encies of the company's willingness to consider "all ıalified people regardless of race, color, religion, naınal origin, or ancestry."

Idea of Beauty

A secretary at the General Electric Company's Ordınce Department in Pittsfield is doubly blessed. She ıs beauty and she has brains. Two years ago, she was lected as the Beauty Queen of her department. This ar, she distinguished herself again by submitting an ea that has earned her a $1,752 suggestion award. er idea called for a revision of mailing procedures, but touched off a six-month study by management that d to a general tightening of mailing instructions and ailroom procedures.

Suggestion awards at GE, which have totaled more an $10 million since the company started its suggesın plan in 1906, are paid on the basis of a varying rcentage of the estimated first year's net annual vings.

Sitting Safely

The Long Island Lighting Company has launched a ogram that is aimed at installing safety seat belts in l of its motor vehicles. As a starter, fifty of the comıny's passenger vehicles have already been equipped th the belts and, at a later date, the employees who de these vehicles will be asked for an analysis of the lue and acceptance of this safety device.

Meanwhile, as part of the program, safety meetings e being held for all Lilco employees. At these meetgs, "Safety Through Seat Belts," a film produced by e University of California, is shown and booklets and ımphlets on the same subject are distributed.

When the program has run its course, the company opes its employees will be so convinced of the need r safety belts that they will not only use them while ding in company cars but install them in their own rs as well.

eretirement Dinner for Employees and Wives

This summer, at the clubhouse for employees of Olin athieson Chemical Corporation and United Nuclear orporation in New Haven, Connecticut, a dinner was ld for thirty-five employees scheduled to retire within e following six months. Their wives and husbands were invited, too. In the course of the dinner the prospective retirees were given a report on their financial future. The manager of the regional Social Security office spoke and answered questions about federal oldage retirement benefits; a company vice-president explained Olin's pension plan; and the personnel manager covered other retirement matters.

At the end of the dinner, the retirement administrator gave each prospective retiree a personal estimate of his retirement income, including both Social Security allowances and company pension plan benefits.

Bank Tie

Employees of the First National City Bank of New York can buy blue silk ties that feature the seal of the bank as a pattern in silver. The ties are manufactured exclusively for the bank and are sold through the employees' social and recreational club at a special price.

Suggestion Plans in Australia

Earlier this year, the Australian Department of Labour and National Services surveyed fifty-seven companies that were known to have launched suggestion plans (the term used there, as in England, is "schemes"). It found[1] that twenty-one of the companies had discontinued their plans. Of the remaining thirtysix companies, seventeen were completely satisfied with suggestion results, fourteen felt their plans were failing in some respects, and the other five said their experience had been too short to be properly evaluated. Twenty-four of the companies supplied the following additional information (Australian pounds and shillings are expressed in their American money equivalent):

Number of Employees	Average Awards	Highest Awards	Number of Companies	Average Number of Suggestions Fees per 100 Employees	Average Adoption Ratio
Less than 500	$ 6.32	$117.98	5	26	32%
From 500 to 1,000	12.35	336.00	11	28	37%
From 1,000 to 2,000	13.39	515.20	3	9	33%
More than 2,000	18.04	732.48	5	29	30%

The amount of individual awards ranged from 10% to 50% of what the suggestion saved the company during the first year. One small company, however, is operating a successful suggestion plan without paying any awards—J.R.O'M.

[1] The department reported its findings in the March 1961 issue of *Personnel Practices Bulletin*, its quarterly publication.

Labor Press Highlights

UAW Wins "Runaway" Plant Decision

BOUND to cause anyone to reconsider plans to move South" is how one chief executive has characterized a recent federal court decision, reports the *AFL-CIO News*. The executive was referring to District Judge Fred W. Kaess's ruling that seniority rights become "vested" in the job and cannot be denied unilaterally without the workers' consent. If Judge Kaess's decision is upheld, says UAW *Solidarity*, it will mean that any plant planning to relocate must offer jobs to its workers with seniority rights in the old location.

The case arose when the Detroit UAW local filed suit against the Gemmer Manufacturing Company, which had announced its plans to transfer operations to Lebanon, Kentucky, and, according to the UAW monthly, had told the members of the local that they would not be allowed to transfer.

In making his decision, the judge cited as precedent a ruling earlier this year in which the Second United States Circuit Court of Appeals held that employees of the Glidden Company had vested rights in their jobs when the firm moved. This decision has been appealed and is expected to be considered by the United States Supreme Court in October.

A UAW official has hailed Judge Kaess's decision as likely to have "momentous consequences for all the labor movement," and commented further that it establishes without question the responsibility of employers to their employees and families:

> "The decisions of employers to close and move plants are not just private decisions but affect profoundly the lives and future of not only the workers and their families, but the communities which have helped support and maintain these plants."

Following the ruling, the *AFL-CIO News* announced that the Auto Workers union is considering the filing of suits in six similar cases involving plant relocations. A second suit in the United States District Court in Detroit has already been filed.

Two Senators Study Anti-"Runaway" Legislation

"Runaway" plant problems may also be attacked from a legislative angle, declares an article in *The Machinist*. Senator McNamara of Michigan has introduced legislation that would end the tax-exempt status of municipal bonds issued to induce firms to relocate.

At the same time, reports the union journal, Senator Ben Smith of Massachusetts has announced that he is studying legislation to prevent sudden plant closings by requiring a company to give at least ninety days public notice of its decision to close a plant. Such notice, said the Senator, would allow time for the community to try to dissuade the employer or, should this fail, would allow the government time to try to find new jobs for the employees and new uses for the plant facilities.

AFL-CIO Consolidates Periodicals

Four separate AFL-CIO publications have been incorporated into the monthly magazine, the *Federationist*. The four publications are *Education News and Views*, put out by the Department of Education and *Labor's Economic Review, Collective Bargaining Report*, and *Economic Trends and Outlook*, produced by the Department of Research.

President George Meany of the AFL-CIO says this consolidation will not only result in an improved *Federationist*, but will allow the Departments of Research and Education more flexibility in their writing and free them from such limitations of a fixed format as a given number of pages. In future issues of the *Federationist* the research and educational material will be clearly identified.

AFL-CIO Executive Council Votes Special Assessment

In order to prevent the AFL-CIO's general fund from continuing to run in the red, the federation's executive council has voted a temporary special assessment on its affiliated international unions. The assessment, described by the Upholsterers' monthly, *UIU Journal*, amounts to 3 cents per member per month for a six-month period and is in addition to the regular per capita tax of 5 cents per member per month.

In announcing the council's action, AFL-CIO Presi-

ent George Meany noted that further action to "take are of our financial problems" may be taken by the ext general convention in December and will probbly result in a higher per capita rate.

In the meantime, says the Upholsterers' monthly, an stimated $2.2 million is expected from the special ssessment. Half of this sum is earmarked for the genral fund; the balance will go into a fund covering pecial projects.

iremen Opposed to Mergers with Police

A growing effort by cities to merge their police and re departments is being viewed with alarm by the nternational Association of Fire Fighters, AFL-CIO. ecretary-Treasurer John C. Kabachus contends that o community has yet developed a practical foolproof lan of combining the two departments.

An article appearing in the *AFL-CIO News* cites he following arguments against merger:

- Firemen's and policemen's jobs are both full-time obs requiring specialists. They are not interchangeable.
- When the two functions are combined into one ublic safety department, residents of an area are not s well protected against crime and fire as before.
- In an emergency, all available men may be sumoned to cope with one task, leaving other duties eglected and areas unprotected.

When communities have considered such mergers, ays Mr. Kabachus, it has usually been to help cut ising costs or to counter the requests of firemen's local nions for negotiation on wage increases. The only Jnited States city that has tried a merger and continued , declares the union official, is Oak Park, Michigan.

ithographers Disaffiliate from CLC

Almost three years after its withdrawal from the FL-CIO, the Amalgamated Lithographers of America as announced its disaffiliation from the Canadian abour Congress. In both instances, the move resulted om jurisdictional disputes between the Lithographers nd other unions, particularly the Printing Pressmen's Jnion, AFL-CIO.

According to the *Lithographers' Journal,* the mahinery that the Canadian Labour Congress set up for olving jurisdictional disputes was "unrealistic, and isaffiliation was a necessary step to maintain ALA's istoric jurisdiction and to protect the job security and orking standards of ALA's thousands of members in anada."

Immediately following its withdrawal from the CLC, Lithographers' union President Kenneth J. Brown announced that the union would begin a "massive" organizing campaign in Canada.

Bricklayers Set Up Prepaid Drug Plan

Seven thousand union bricklayers and their families in the New York City area are now covered by a prepaid drug prescription program, reports *Bricklayer, Mason and Plasterer*. Under the plan, a basic fee of 50 cents is paid by the individual each time a prescription is filled, with the balance being paid monthly by the Bricklayers Insurance and Welfare Fund. All drugs for which a physician's, dentist's or osteopath's prescription is required are covered by the plan. Excluded are such items as vitamins and diet supplements.

Fifteen hundred pharmacies in greater New York and Nassau and Suffolk counties have agreed to accept an established price schedule for all prescriptions. This, the bricklayer's journal points out, will "permit union members and their families to obtain all their drug needs close to their homes."

The plan covers not only wives and children under nineteen of the 7,000 union members, but also about 1,000 retired members and their dependents.

Unmerged AFL-CIO Groups Violate AFL-CIO Constitution

All former AFL and CIO central bodies that have not completed merger actions by October 1 of this year will have their charters revoked and cease to be affiliates of the federation, reports the *AFL-CIO News*. This decision has been made by the AFL-CIO executive council, which has declared that "each and every central body which has not yet effected a merger is in violation of the constitution of the AFL-CIO."

All of the state groups with the exception of New Jersey have been combined. A year ago, a New Jersey merger convention called at the insistence of AFL-CIO President Meany collapsed when CIO delegates failed to attend.[1]

Twenty-three out of 880 central bodies remain separate. Of these, eleven are within the state of New Jersey; the others are in Chicago, Pittsburgh, Scranton and smaller communities in a half-dozen states. If the charters of these groups are revoked, the *AFL-CIO News* indicates that new charters will be given to successor central bodies.

MARIE P. DORBANDT
Division of Personnel Administration

[1] See "Forced Merger Backfires," *Management Record,* July-August, 1960, p. 37.

Under a new RCA contract, retirees now participate in a company-paid extended medical insurance plan. Pensions are also improved

Wage and Fringe Developments in Bargaining

A NEW program of extended hospital, surgical and in-hospital medical benefits for retired employees has been agreed upon by Radio Corporation of America and the various unions organized at the company's plants in New Jersey, the Midwest and Los Angeles.[1] The plan is entirely company paid.

Similar to major medical insurance, the new medical insurance program for retired employees pays up to 75% of all hospital, surgical, and in-hospital physician's charges over $100 that are not covered by the basic hospital-surgical plan. The maximum lifetime family benefit is $3,000, and any unused portion of this amount remaining after a retired employee's death may be used by the surviving widow. To be eligible for plan benefits retired employees must have fifteen or more years of credited retirement plan service.

The primary difference between the company's extended medical insurance plan for pensioners and its major-medical plan for active employees is the lower level of benefit payments to retirees.

Also, the retired employee with fifteen or more years of credited retirement plan service will receive free coverage under the basic hospital-surgical plan, and he may continue to insure his dependents at a monthly cost of $2.35. Under former agreements, basic hospital coverage cost the pensioner $2.15 a month for himself and $4.50 for his dependents.

Early retirement provisions in the revised pension agreement permit retirees to receive added life insurance protection. If they retire early with the consent of the company they now receive the same amount of life insurance that would normally have been continued if they had retired at age sixty-five. There is no further reduction because of the early retirement date. Also, if they have at least fifteen years' credited retirement plan service, they may retire as early as age sixty without the company's consent and have 40% of their life insurance continued after retirement. Again, there is no further reduction because of the early retirement date.

[1] The unions are: The IUE, the American Federation of Technical Engineers, the Assoc. of Scientific and Professional Engineering Personnel, the IBEW, the United Brotherhood of Carpenters and Joiners of America, the Radio Communications Assemblers Union, the Teamsters and the IAM.

Supplemental early retirement benefits as early as age sixty with fifteen or more years' credited service are increased from a flat $50 to amounts ranging from $55 for fifteen years' service to $75 for thirty-five or more years' service.

Another notable change in the pension plan is the increase in minimum retirement benefit guarantees from $2.25 to $2.40 per month per year of credited service prior to January 1, 1963 and $2.50 per month per year of credited service after that date. Also, the maximum number of years of credited plan service that can be counted toward the minimum benefit is increased from twenty-seven to thirty-two.

Retirement benefits for service prior to December 1, 1944 have also been liberalized. They are now determined on the basis of 1% of the first $250 of basic monthly earnings as of November 30, 1944, plus 1.5% of such earnings in excess of $250, up to and including $400, plus 2% of such earnings in excess of $400 for each year of service, excluding the first three years. In the past, the formula for determining benefits for service prior to December, 1944 was: three-fourths of 1% of the first $250, plus 1.25% of earnings in excess of $250, excluding the three-year waiting period.

The pension plan is also amended to permit members, with the approval of the retirement benefits committee, to receive benefits quarterly, annually, or in a lump sum in lieu of the normal monthly payment. And members may elect the joint-and-survivor or the cash-refund-at-death form of benefit up to within three years of retirement (instead of within five years of retirement as formerly) without proof of good health.

About 30,000 employees are covered by the multi-plant agreements.

Remington Rand Concludes IAM Contracts

Remington Rand Division of Sperry Rand Corporation has negotiated contracts with the International Association of Machinists at six locations.[1] Three

[1] The locations are: Elmira, Tonawanda, Utica and Ilion, New York; Holyoke, Massachusetts; and Benton Harbor, Michigan.

veeks' vacation after twelve years' service and eighteen lays after twenty-five years will now be given at all ocations except Elmira where seventeen and one-half nstead of eighteen days are given after twenty-five or nore years' service.

At all locations except Tonawanda, company-paid urgical coverage is upped to $300 and daily hospital oom and board allowance to $18. At Tonawanda where ealth insurance is contributory, maximum surgical llowance is now $500 and daily hospital room and oard $19. Duration of hospital benefits at the several ocations range from thirty-one to sixty days. Also, at Tonawanda life insurance coverage is raised to $3,500 vhile at the other locations it is now $2,500.

The contracts at Elmira and Holyoke are for one year. Hourly wage rates at Elmira are boosted by amounts ranging from 4 cents to 12 cents. At Holyoke the general wage boost is 6 cents, with job-reevaluation increases in certain jobs ranging from 3 to 10 cents.

The remaining contracts extend over a two-year period. At Benton Harbor rates are increased 3% the first year and 3½% the second. The Utica contract gives a wage boost of 12 cents the first year and 8 cents the second, while the contract at Tonawanda ups the hourly rate 8 cents the first year and 7 cents the second. At Ilion, rates are increased 15 cents each year.

A total of 4,538 employees are covered at the six locations.

N. BEATRICE WORTHY
Division of Personnel Administration

Significant Pay Settlements

mpany, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
	DURABLE MANUFACTURING	
rican Optical Company (Instrument Div.) *s & Ceramics Workers* in Buffalo, New York. hourly fective 5-1-61. Contract expired w contract: 1 year	4¢ per hour increase for incentive workers; 6¢ for nonincentive; 6¢ to 12¢ for inspection department employees	No change
land Refrigeration Company with in Sidney, Ohio. 1,100 hourly fective 6-29-61. Contract expired w contract: 3 years	6¢ per hour general increase. Deferred increase: Additional 2¢ effective 3-62; additional 6¢ effective 12-62 and 12-63	Added: Jury duty differential pay Revised: Funeral leave pay, sickness and accident insurance benefits extended to 20 weeks (were 13)
teel Metallurgical Corporation with *ical Workers* and *IAM* in North Chicago is. 800 hourly ective 6-1-61. Contract expired w contract: 2 years	1½¢ per hour general increase. 4¢ per hour formerly contributed by employees to pension fund now company-paid Deferred increase: 3% effective 2nd year	Revised: Additional life insurance and medical coverage; increased pension allowance
ral Dynamics Corporation (Convair Divi- Astronautics Division, and Electronics, ary Products Division) with *eers & Architects, ind.* in San Diego Cal- a, 4,993 hourly and salaried ective 7-20-61. Contract expired w contract: 2 years; wage reopener in 2nd r	3% increase for salaried employees, 3¢ plus additional 3¢ cost-of-living adjustment for hourly rated employees in engineering unit	No change
year Aircraft Corporation with in Akron, Ohio. 2,000 hourly ctive 7-3-61. Contract extended to 7-5-63	7½¢ per hour general increase. Deferred increase: 7¢ additional effective 7-2-62	Added: 8th paid holiday Revised: Vacation, funeral leave provisions and military reserve pay
sota Mining & Manufacturing Company *& Ceramic Workers* in Bristol, Pennsyl- 500 hourly ctive 5-7-61. Contract expired contract: 2 years	For production workers: 7¢ per hour for "B" rates and 8¢ for "A" rates. Additional ½¢ to 6¢ increment increase per job grade for "A" rates For maintenance workers: 15¢ per hour for craft, 11.5¢ for craft helpers, 8¢ for all other maintenance rates For incentive workers: 6¢ per hour to base rate of "B" workers and 7¢ to base rate of "A" workers Shift premiums increased ½¢ to 7.5¢ an hour on 2nd shift and 1¢ to 15¢ on 3rd shift Deferred increase: Effective 5-7-62, and to be based on area survey	Added: 4 weeks' vacation after 20 years' service

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
Morse Twist Drill & Machine Company with *UE, ind.* in New Bedford, Mass. 643 hourly Retroactive to 5-8-61. Contract expired New contract: 3 years	5¢ per hour general increase Deferred increase: Additional 5¢ general increase and 15¢ additional to skilled trades 5-8-62; additional 5¢ general increase 5-8-63	Revised: Noncontributory Blue Cross-F Shield coverage for pensioners and t dependents; additional company contri tions to pensions in 1961 and 1962; wee sickness benefits increased to $50 (w $40) effective 5-8-63; 4 weeks' vacation a 20 (formerly 25) years effective 5-8-63
Philco Corporation with *IUE* in Philadelphia, Pennsylvania. 3,397 hourly Effective 4-29-61. Contract expired New contract: 1 year	5¢ per hour general increase	No change
Radio Corporation of America with *IUE* for wage increase and fringe benefits; with *AFTE, IBEW, Carpenters and Joiners, Teamsters, IAM*, and *Assn. of Scientific & Professional Engineering Personnel* (*ind.*) for fringe benefits only. 30,000 hourly and salaried Effective May and June, 1961. Contracts expired *IUE* contracts: 4 years; economic reopening 5-64	2½% general increase Deferred increase: 2½% in 1962 and 1963	Revised: Company-paid hospital and surg plans; major medical coverage; minin retirement benefit guarantee; past ser benefits; and supplemental early retiren benefits; free hospital and surgical insura plus noncontributory major medical co age in modified form for retirees with years' service (for full description page 44)
Sperry Rand Corporation (Remington Rand Division) with *IAM* in Utica, New York. 827 hourly	12¢ per hour increase applied to maximum rates. Shift premiums increased 3¢ to 13¢ an hour Deferred increase: Additional 8¢ applied to maximum rates effective 2nd year	Revised: Vacation and life insurance revis same as Holyoke settlement below; c pany-paid health insurance providing $ surgical coverage, $18 daily hospital fo (was 31) days
and with *IAM* in Ilion, New York. 119 hourly	10¢ per hour increase for toolmaker "B" classification, 15¢ for toolmaker "A" classification applied to maximum rates effective 1st year Deferred increase: Same increases repeated 2nd year	Revised: Fringe benefits identical to thos Utica, New York (see above)
and with *IAM* in Holyoke, Mass. 33 hourly	6¢ to 20¢ per hour increase applied to maximum rates. Shift premiums increased 2¢ an hour to 12¢ an hour	Revised: 3 weeks' vacation pay guaran after 12 years, 18 days, pay after 25 ye company-paid life insurance plan provi $2,500 (additional $2,500 life insura available at cost of $1.50 per month if of employees participate), $300 surg coverage, $18 daily hospital allowance 60 (was 31) days
and with *IAM* in Elmira, New York. 2,747 hourly	4¢ to 12¢ per hour increase applied to maximum rates	Revised: Vacation and life insurance revis same as Holyoke settlement except paid vacation after 25 years is 17½ d company-paid health insurance provi $300 surgical coverage, $18 (was $12) c hospital for 60 (was 31) days
and with *IAM* in Tonawanda and North Tonawanda, New York. 624 hourly	8¢ per hour increase applied to day rates effective 1st year. Increase factored into incentive base rate to yield 8¢ per hour on the average Deferred increase: Additional 7¢ applied to maximum rates effective 2nd year	Revised: Vacation revisions same as Holy settlement; $500 (was $240) surgical co age; $19 (was $14) daily hospital for 60 (30) days; $3,500 (was $2,000) life insura
and with *IAM* in Benton Harbor, Mich. 127 hourly	3% increase effective 1st year. 3rd shift premium increased 3¢ to 13¢ an hour Deferred increase: Additional 3½% 2nd year applied to all rates	Revised: Vacation and life insurance revis same as Holyoke settlement; company-health insurance providing $18 (was daily hospital for 31 days; disability pa 50% of average weekly wage up to maximum

All above contracts with Remington Rand are effective 6-16-61. The old contracts expired. New contracts at Holyoke and Elmira are for one year; all other contracts are for two years

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
Vascoloy-Ramet Corp. (subsidiary of Fansteel Metallurgical Corp.) with *IAM* in Waukegan, Ill., 250 hourly Effective 6-1-61. Contract expired New contract: 2 years	1½¢ per hour general increase. 4¢ per hour formerly contributed by employees to pension fund now company-paid Deferred increase: 3% effective 2nd year	Revised: Additional life insurance and med coverage; increased pension allowance

pany, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
	NONDURABLE MANUFACTURING	
can Enka Corporation with *Workers (UTWA)* in Enka, North na. 2,600 hourly ctive 6-13-61. Contract expired 5-26-61 r being extended 3 weeks contract: 1 year	Minor rate structure adjustments	Revised: Layoff and recall provisions
g Brewing Company with *y Workers* in Natick, Mass. 250 hourly ctive 5-1-61. Contract expired contract: 3 years	12½¢ per hour general increase first year Deferred increase: Additional 12¢ effective 2nd year; additional 10¢, 3rd year	Revised: Increased life insurance benefits and accidental death and dismemberment insurance; weekly hospital increased to $22 a day plus increased allowance for hospital services and maternity benefits
with *y Workers* in Cleveland, Ohio. 700 hourly ctive 5-1-61. Contract expired contract: 3 years	Same as above	Added: 10th holiday Revised: 5 weeks' vacation after 20 years; additional $1,000 life insurance, plus $500 for retirees if actuarial study indicates financial condition of Welfare Fund will support increase
al Mills, Inc. with *and Confectionery Workers* in Garland, St. Louis, Missouri; and Los Angeles, nia. 146 hourly ctive 6-1-61. Contract expired contract: 2 years	7¢ general increase Deferred increase: 7¢ effective 6-1-62	Added: One holiday; some additions to Health and Welfare Program
with in Kansas City, Missouri. 300 hourly; eopening in 3 year contract expiring 6-15-63	9¢ general increase Deferred increase: 8¢ effective 6-14-62	Not at issue
with in Wichita, Kansas. 91 hourly; wage re- g in 3 year contract expiring 6-14-63	9¢ general increase Deferred increase: 8¢ effective 6-14-62	Not at issue
with in Minneapolis, Minnesota. 218 hourly; eopening in 3 year contract expiring in	Graduated increase of 8¢-10¢ averaging 8.95¢ Deferred increase: 8¢ general increase effective 7-1-62	Not at issue
Northern Paper Company with *Makers* and *Paper Mill Workers*; *Firemen lers*; *Carpenters and Joiners*; *IBEW*; *IAM*; *rs* in Millinocket & East Millinocket, 2,000 hourly tive 7-1-61. Contract expired contract: 2 years	6¢ per hour general increase Deferred increase: additional 2½% (6¢ per hour minimum) effective July 1, 1962	Revised: 4 weeks' vacation after 22 years in 1961, after 20 years in 1962; company to pay full cost of employee insurance coverage including major medical ($50 deductible) effective 10-1-61, employees to pay full cost of dependents' coverage
amm Brewing Company with *y Workers* in St. Paul, Minnesota. 1,000 tive 7-1-61. Contract expired contract: 2 years	No wage adjustment indicated. Seasonal employees may be hired at rate lower than job rate specified in contract	Added: Funded pension plan; seasonal employees exempted from benefits Revised: Health and welfare plan
tional Paper Company (Northern Divi- ith *akers*; *Firemen and Oilers*; and *Paper orkers* in Corinth, Ticonderoga, Niagara and North Tonawanda, New York; Chis- Maine; and York Haven, Pennsylvania. ourly tive 6-1-61. Contract expired contract: 1 year	6¢ per hour general increase	Revised: Contributory pension plan as follows: benefits accrued for members to 1-1-61 increased by 1/3, minimum benefit raised to $60 per month after 25 years of plan service; company to contribute additional $1 toward cost of dependent hospital-surgical coverage; 4 weeks' vacation after 23 (was 25) years; supplemental jury pay; funeral leave clause expanded to include death of father- and mother-in-law and step-father and stepmother; holiday clause to provide that holiday hours not worked be counted as hours worked in computing weekly overtime

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
International Paper Company (Southern Kraft Division) with *Papermakers*, *IBEW*, and *Paper Mill Workers* in Mobile, Alabama; Camden and Pine Bluff, Arkansas; Panama City, Florida; Bastrop (2 mills) and Spring Hill, Louisiana; Mose Point and Natchez, Mississippi; and Georgetown, South Carolina. 13,000 hourly Effective 6-1-61. Contract expired New contract: 1 year	3½¢ per hour general increase	Revised: Pension, vacation and holiday sions same as above. Funeral leave c expanded to include death of father- mother-in-law
Monsanto Chemical Company with *Chemical Workers* in Everett, Mass. 650 hourly Effective 6-15-61. Contract expired New contract: 2 years	8¢ per hour general increase. Escalator clause eliminated. 35¢ (was 25¢) per hour Sunday premium Deferred increase: Additional 2¢ effective 1-15-62; additional 8¢ effective 6-15-62	No change
A. E. Staley Mfg. Company with *Allied Industrial Workers* in Decatur, Illinois. 1,800 hourly Effective 7-1-61; wage reopener in 2 year contract expiring 7-1-62	3% general increase	No change
	NONMANUFACTURING	
General Telephone Company of California with *Communications Workers* of America in California. 7,834 hourly Effective 6-17-61. Contract expired New contract: 1 year	$1.60 to $3.20 per week increase for plant craft employees (linemen and cable splicers); $2.00 to $5.20 per week increase for engineering fieldman; $1.60 to $2.00 per week increase for accounting employees; $1.60 to $2.80 per week increase for traffic clerical assistant; $1.60 to $2.00 per week increase for operator; $1.60 to $5.60 per week increase for installer-repairman (including upgrades) $2.00 to $4.80 per week increase for equipment man—installation; (formerly C.O. equipment installer) and equipment man—maintenance (formerly switchman) and PBX man (including upgrades)	No change
Kennecott Copper Company (Western Mining Divisions) with *Mine, Mill & Smelter Workers* in Utah, Nevada, New Mexico and Arizona. 6,100 hourly Effective 7-1-61. Contract expired New contract: 1 year	7¢ per hour general increase, plus ¼¢ on increments between job classifications; additional increases at Arizona and New Mexico to reduce area differentials	Revised: 2 weeks' vacation after 3 (wa years
The Maccabees with *Insurance Workers* in Detroit, Mich. 165 salaried Effective 7-1-61. Contract expired New contract: 2 years	$23 per month existing cost-of-living increases incorporated into base rates and $10 cost-of-living adjustment added; reduction of workweek from 40 to 37½ hours per week	Revised: Minimum paid-up life insuranc $1,000 (was $750) for retirees; $10 ($1.50) per year severance pay for retir sick leave cumulative up to 180 (was days; maternity leave provisions
Pacific Telephone & Telegraph Company with *Communications Workers* in northern California. 17,000 hourly and salaried Wage reopening in 3-year contract expiring in 1963. Next wage reopening 6-19-62	$2 to $3 per week increase for plant craft employees; $1.50 to $3 per week increase for clerical and traffic employees; $1.50 per week additional for building servicemen. Some classification adjustments and reduction in progression scales	No change
Public Service Electric & Gas Company with *Utility Co-Workers' Association ind.* in New Jersey. 1,700 salaried Retroactive to 5-1-61. Contract expired New contract: 2 years; wage reopening in 1962	4% general increase	Revised: $3.30 (was $2.50) per month c pany contribution to hospitalization ef tive 11-1-61; minimum monthly pens increased to $100 for full-time perman employees (excluding early retirement survivorship options); $2.25 (was $2) ning meal allowance, $1.75 (was $1.50) other than evening meal; 4 weeks' vaca after 20 years effective 1962

[1] All unions are affiliated with AFL-CIO unless otherwise indicated.

In the September Business Record

Foreign Operations: Approval Upswing Reversed—This is an analysis of the foreign investment scene, including a scrutiny of some questions that arose last fall and winter in regard to the worsening of the United States international payments position, as well as some of the principal economic influences upon direct investment flows abroad.

Corporate Directors and Business Ethics—Actions of boards of directors concerning legal and ethical business conduct of management executives have centered in the areas of "conflict of interest" and adherence to antitrust laws. Examples of resolutions, policy statements, questionnaires, and other techniques of overseeing company ethics are provided.

Recovery and Defense—General business conditions have advanced further this summer. Despite the recovery in output, personal income and payroll employment, the economy retains a liberal margin of human resources available for reengagement should pressures from developments abroad demand forced-draft expansion.

Studies in Business Policy

100—Organizing Foreign-Base Corporations
99—Managing Company Cash
98—Administration of Electronic Data Processing
97—Use of Motivation Research in Marketing
96—Administration of Executive Expense Accounts
95—Executive Aircraft Practices
94—Small Orders—Problems and Solutions
93—Radioisotopes in Industry
92—Management's Role in Electronic Data Processing
91—Foreign Licensing Agreements—II. Contract Negotiation and Administration
90—Corporate Directorship Practices
89—Company Contributions—III. Policies and Procedures
88—Inventory Management in Industry
87—Industrial Uses of Radioisotopes
86—Foreign Licensing Agreements—I. Evaluation and Planning
85—Industrial Standardization
84—Marketing Research in Action
83—Prospects for Economic Nuclear Power
82—Operations Research
81—Company Insurance Administration
80—Public Relations in Industry
79—Measuring Salesmen's Performance
78—Industrial Engineering, Organization and Practices
77—Forecasting in Industry
76—Automobile Plans for Salesmen
75—Researching Foreign Markets

Published by THE CONFERENCE BOARD
460 Park Avenue, New York 22, N. Y.

Canadian Office 505 Dorchester Boulevard West, Montreal 1

PRINTED IN U.S.A.

NATIONAL INDUSTRIAL CONFERENCE BOARD · INC

LET THERE BE LIGHT

FOUNDED 1916